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# China Report

ECONOMIC AFFAIRS

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21 March 1985

# CHINA REPORT

## ECONOMIC AFFAIRS

### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### NATIONAL POLICY AND ISSUES

|   |    |
|---|----|
| Economic Law Expert Discusses Legislative Work<br>(Hao Meisheng; ZHONGGUO FAZHI BAO, 11 Feb 85).....        | 1  |
| RENMIN RIBAO on Economic Reform, Macroeconomic Control<br>(Wu Jinglian; RENMIN RIBAO, 11 Feb 85).....       | 3  |
| PRC Legal Paper on Handling Economic Disputes<br>(Fei Zongyi; ZHONGGUO FAZHI BAO, 8 Feb 85).....            | 11 |
| Economic Contract Law Discussed<br>(Dai Fengqi, Qu Ruoni; JINGJI YU GUANLI YANJIU, No 5,<br>30 Sep 85)..... | 16 |

##### PROVINCIAL AFFAIRS

|   |    |
|---|----|
| Communique on Fulfillment of 1984 Liaoning Economic Plan<br>(LIAONING RIBAO, 14 Feb 85).....          | 24 |
| Guangxi Economic Delegation To Visit Hong Kong in March<br>(Guangxi Regional Service, 25 Feb 85)..... | 34 |
| New Policies To Promote Beijing Public Service<br>(XINHUA, 1 Mar 85).....                             | 35 |
| Briefs  |    |
| Liaoning Economic, Technical Cooperation  | 36 |
| Hubei Drinking Water Problem  | 36 |

## ECONOMIC MANAGEMENT

|  |    |
|--|----|
| Guan Guangfu on Developing Hubei's Mountain, Reservoir Areas<br>(Hubei Provincial Service, 28 Feb 85)..... | 37 |
| Wuhan Successfully Pioneers Economic Reform<br>(Chen Guanfeng; CHINA DAILY, 28 Feb 85).....                | 39 |
| Gansu Steps Up Cooperation With Other Provinces<br>(JINGJIXUE ZHOUBAO, No 43, 22 Oct 84).....              | 41 |
| Guidelines in Jiangsu's Cooperation With Other Provinces<br>(JINGJIXUE ZHOUBAO, No 43, 22 Oct 84).....     | 43 |
| Briefs   |    |
| Managerial Examinations  | 45 |

## FINANCE AND BANKING

|   |    |
|---|----|
| Gao Yang Views Financial, Taxation Work<br>(Shang Liqiang; CAIZHENG, No 9, 8 Sep 84).....         | 46 |
| Measures To Restore Secured Loans Discussed<br>(SHANXI CAIJING XUEYUAN XUEBAO, No 5, Oct 84)..... | 50 |
| Briefs  |    |
| Shandong Loan Business Increase   | 55 |
| Shandong Worker Income Increase   | 55 |
| Guangxi Rural Savings Deposits  | 55 |
| Hunan Trust Company   | 55 |

## INDUSTRY

|  |    |
|--|----|
| Bright Future Seen for China's Auto Industry<br>(Li Anding; LIAOWANG ZHOUBAO, No 46, 12 Nov 84)..... | 56 |
|--|----|

## CONSTRUCTION

|   |    |
|---|----|
| Beijing CPC Secretary Inspects Construction Sites<br>(Beijing City Service, 16 Feb 85)..... | 60 |
| Xian Improves Infrastructure, Appearance<br>(XINHUA, 29 Feb 85).....                        | 61 |

## FOREIGN TRADE AND INVESTMENT

|  |    |
|--|----|
| SMS Chief Weiss Recounts Background, Success of PRC Venture<br>(Heinz Michaels; DIE ZEIT, 8 Feb 85)..... | 62 |
|--|----|

Hungarian Comments on Chinese Reform  
(MAGYARORSZAG, various dates; NEPSZABADSAG, 21 Oct 85)..... 69

Preliminary Discussions, Economic Zone, by Ferenc Sarkadi  
Kovacs

Plenum on Economic Decisions

Commentary About Plenum Decision, by Peter G. Feher

Description of Plenum Decision, by Ferenc Sarkadi Kovacs

Thirty-five Years of China's Foreign Trade  
(Kan Lun; GUOJI MAOYI WENTI, No 4, Jul-Aug 84)..... 76

Jiangxi To Seek More Foreign Investment  
(XINHUA, 28 Feb 85)..... 87

Briefs 88

Jilin Foreign Capital 88

Heilongjiang Foreign Trade Achievements

#### SPECIAL ECONOMIC ZONES

New Shenzhen Border Crossing Point Opens  
(XINHUA, 28 Feb 85)..... 89

#### LABOR AND WAGES

Emergence of Shanxi Rural Service Force Discussed  
(SHANXI XUEYUAN XUEBAO, No 5, Oct 84)..... 90

##### Briefs

Liaoning Increases Living Space 93

Beijing Model Workers Meeting 93

#### TRANSPORTATION

Railway Construction Extending in All Directions  
(Fang Ping; TIEDAO ZHISHI, No 5, 28 Sep 85)..... 94

Electrification of the Taiyuan-Jiaozuo Railway  
(Feng Jinzhu; TIEDAO ZHISHI, No 5, 28 Sep 84)..... 99

Litang-Zhanjiang Railway Described  
(Wei Wei; TIEDAO ZHISHI, No 5, 28 Sep 84).....104

Cross-Channel Connection Across Hainan Strait Contemplated  
(Tang Huancheng; TIEDAO ZHISHI, No 5, 28 Sep 84).....109

Briefs

Beijing Heliport Construction 114

HONG KONG ECONOMIC TRENDS

Hong Kong Finance Office Discusses Evolving Economy  
(WEN WEI PO, 13 Nov 84).....115

NATIONAL POLICY AND ISSUES

ECONOMIC LAW EXPERT DISCUSSES LEGISLATIVE WORK

HK020724 Beijing ZHONGGUO FAZHI BAO in Chinese 11 Feb 85 p 2

[Article by Hao Meisheng [5548 2734 3932]: "In Economic Legislation, We Must Not 'Be Afraid of Changes in Order to Achieve Steady Progress'--an Interview With Sun Yaming, Specialist in Economic Laws"]

[Text] "The state legislature must speed up economic legislation." This is a vital problem expressed in the "Decision on Reform of the Economic Structure" adopted by the 3d Plenary Session of the 12th CPC Central Committee. How can we speed up economic legislation? With this question in mind, I have interviewed Professor Sun Yaming, a well-known specialist in economic legislation and vice chairman of the Chinese Economic Law Research Society.

To start his talk, our revered Comrade Sun said: "Since the 3d Plenary Session of the 12th CPC Central Committee, I have contemplated the long-standing and serious fact that our country's economic legislation has lagged behind the development of the objective situation. Many economic laws which we had been drafting for several years failed to be implemented. Apart from some objective restrictions, the idea of "being afraid of changes with undue emphasis placed on steady progress" has been a major obstacle to the formulation of economic laws. Without surmounting this ideological obstacle, it will be very difficult for us to speed up economic legislation."

Our old Comrade Sun said: Comrade Deng Xiaoping has given very important instructions on legislative work: "The laws and ordinances concerned may be relatively primitive at the very beginning, but they can be improved step by step later." "The laws must be revised and supplemented. It is necessary to revise an article as soon as the conditions for the revision of that specific article are ripe, instead of waiting until a 'complete set of laws' can be revised. In brief, it is better to have a law than not and to speed up the formulation of laws rather than delay it." These instructions should be taken as the guideline for our economic legislation. To be sure, when formulating laws, we must try our best to make every law complete and more stable. However, there can hardly be a perfect or permanently stable economic law. This is because the economic situation is constantly developing in our country and economic development will be tremendously speeded up after the reform of the economic structure is extensively launched. Economic laws and regulations have to be changed and readjusted accordingly as long as the economic basis changes

and develops. The completeness and stability of economic laws and regulations are relative. The completeness and incompleteness, as well as the stability and variability, form a dialectic unity, with the possibility that one aspect of the unity can be transformed into the other aspect. One of the strong measures to speed up economic legislation is the "decision on authorizing the State Council to draw up provisional regulations and ordinances concerning reform of the economic structure and the open-door policy (draft)" which the ninth meeting of the Sixth NPC Standing Committee recently adopted and submitted to the third session of the NPC for discussion and approval.

Comrade Sun Yaming had studied in the Soviet Union and Japan. He worked for the office of the NPC Standing Committee since the fall of 1954, in charge of the drafting of the civil law. He later held the posts of deputy director of the Institute of World Economy and director of the Law Institute, both under the Chinese Academy of Social Sciences. He is specialized in both economics and law.

I asked Comrade Sun: "Do you have any tentative ideas on the speeding up of economic legislation?"

Our revered Comrade Sun said: "I think we should initiate a reform of the legislation system, with the focus placed on the formulation of flexible and reasonable legislative procedures so as to avoid disputes over trivial things and the duplication of work. Our leading organization must make a prompt decision on the formulation of economic laws and regulations, set a time limit for the legislation to be completed, improve legislative work, and raise legislative efficiency. Is it possible to implement the responsibility system in legislative work? [word indistinct] unit which is charged with the formulation of a certain law must submit within a fixed period a proposal which can meet the actual needs and is relatively rational and feasible and of better quality. We can also consider the implementation of a contract system under which a contractor group is formed by legislative practitioners and theorists who contract to draft a certain law, with its quality, feasibility, and time limit for completion guaranteed. In order to give full play to legislation workers' initiative, appropriate material and spiritual awards can be given to those units which have presented good drafts of laws and regulations.

"In the wake of the in-depth development of reform of the economic structure, the task of economic legislation is becoming more and more imminent and arduous. In order to develop the productive force rapidly and ensure and enhance the vitality of the cause of four modernizations, legislation workers must go all out to splendidly fulfill their arduous task!" From Comrade Sun's flashing eyes and his steadfast tone, I seemed to see our legislation workers working dauntlessly and assiduously to greet the spring of economic legislation.

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NATIONAL POLICY AND ISSUES

RENMIN RIBAO ON ECONOMIC REFORM, MACROECONOMIC CONTROL

HK050801 Beijing RENMIN RIBAO in Chinese 11 Feb 85 p 5

[Article by Wu Jinglian [0702 2417 8834]: "The Development Principle in the Initial Stage of Economic Reform and the Question of Macroeconomic Control"]

[Text] At present, the reform of economic structure with the urban economy as the focus has been unfolding in our country in an all-round way. Now, when the reform has just started, the question of what measures should be adopted to ensure the smooth transformation from the old mode to the new structure has naturally aroused people's attention. The historical experiences of many countries have proven that the correct handling of this question has a bearing on the success or failure of the reform. Therefore, we should seriously study this question.

Economic Reform Needs Excellent Economic Environment

In order to ensure that the economic reform can proceed smoothly, first, we should create an excellent economic environment in which the relations of macroeconomy are relatively coordinated, the market is relatively relaxed, and the material reserves are relatively abundant.

After the 3d Plenary Session of the 11th CPC Central Committee, people in economic circles in our country constantly discussed the relationship between readjusting and restructuring, namely, the question of the relationship between the works of changing the abnormal economic structure and restructuring the ossified traditional mode. The question put forward at that time was: In the initial stage of carrying out the principle of "readjusting, restructuring, consolidating and improving the national economy," should we put the focal point of our work onto the restructuring and use it to promote the readjusting, or should we put the focal point of our work onto the readjusting and use it to create conditions for the subsequent restructuring? This question seems to be about specific work arrangements, but in fact it is related to some basic theoretical questions, namely, the economic environment necessary to the reform.

Comrades who agreed with the first half of the question held that the dislocation of economic structure in our country was a result of a previous development strategy of traditional economy of lopsidedly pursuing increases in quantity and lopsidedly developing heavy industry; and this development strategy was also the "function" of economic structure, in other words, the traditional development strategy was determined by the overcentralized administrative and management structure. Therefore, if the reform of economic structure was not thoroughly carried out, the source of the dislocation of economic structure could not be eliminated. They pointed out that only by carrying out economic reform could the problem of the dislocation of economic structure be fundamentally solved. Of course, this is correct. However, admitting this point does not mean that before the economic reform is realized, we cannot adopt both the administrative means and the economic means to effect the initial readjusting on the economic structure, so as to achieve the general coordination of the proportionate relationship among the major departments in the national economy and between the general supply and general demand. Just as people who agreed with the second half of the question pointed out, the economic reform itself needs an environment in which supply and demand are generally coordinated and relatively relaxed. This is because the general orientation of the economic reform is to enable the market mechanism to play a greater role, and the condition for the regulation by the market mechanism to play an active role in recent days is the coordination of the relationship between supply and demand and the emergence of the buyer's market. Therefore, under conditions where the economy is very tense and the macroeconomy is seriously imbalanced, the reform will encounter many difficulties, therefore it will be difficult to achieve results in a short time. Because the opinions of both sides participating in the discussion have rational aspects, after discussion, each side absorbed the rational aspects of the viewpoints of the other side and their opinions gradually became identical. They agree that in the initial stage of carrying out the "8-character policy" we should adopt the strategy of making readjustment the focal point and effecting limited restructuring under the conditions favorable to the readjustment. Thus, as the major proportionate relationships become generally coordinate, we can carry out the reform of the economic structure in an all-round way.

At present, the question facing us is no longer the question on the relationship between readjusting and restructuring. However, we still face a question of how to maintain an excellent economic environment for the economic reform. This is because only by providing a relatively relaxed economic environment can conditions be favorable for carrying out measures for the economic reform. Citing the price reform as an example, it contains two basic contents: the first is "releasing," namely, changing the price management structure of the state listing the prices; the second is "readjusting," namely, readjusting the price levels and sorting out price relations. Under the conditions that the general supply exceeds the general demand in the national economy and the finance and material reserves of the state are relatively well-off and abundant, it is relatively easier to put either "releasing" or "readjusting" into practice. When supply exceeds demand, the general price level will not go up even if we "release" more; when the financial resources of the state are abundant, we can make more compensation to those people who incur more expenditure as a result of the price readjustment and speed up the pace of the "readjustment."

Through economic readjustment over several years starting from 1979, the proportionate relationship in the national economy of our country has basically tended to become coordinated, thus beginning to possess the economic conditions for the overall reform. The present questions for maintaining the excellent economic environment and ensuring that macroeconomic disequilibrium will not arise are: What principle should be adopted for the economic development, how to master the growth speed of the national economy, and the investment scale of the capital construction as well as the improvement level of the living standard of the people, and so on.

#### The Principle for Economic Development in the Initial Phase of Battle

After readjusting the economy for several years, the national economy in our country has already embarked onto the track of healthy development. The growth speed of the total industrial and agricultural output value has increased from 4.6 percent in 1981, and 8.7 percent in 1982 to 10.2 percent in 1983. The growth speed in 1984 is expected to top 12 percent. The economic structural reform will further develop the excellent situation. How can we further quicken the pace of the economic development while pushing on with the economic structural reform in an all-round way? In order to ensure great development in the future, we should increase investment in capital construction. In addition, on the premise of great economic development, in order to provide the people with visible material interests to show the superiority of the economic reform, we should increase the people's income by a big margin to improve their consumption level. This scenario is rational to a certain degree, but also has onesidedness. Doubtless the economic reform will surely greatly perfect the socialist relations of production in our country with the result of greatly liberating the productive forces, greatly developing the production, and greatly improving the living standard of the people. However, it should also be noted that in its initial phase, the reform will encounter a basic question: On one hand, the effect of the reform in the aspects of improving beneficial results and increasing incomes cannot become visible immediately after the reform has started. Because the reform is an arduous cause, completion of the whole reform needs time and a perfecting and consolidating process is also needed even after the new structure is established, so that bringing into full play its beneficial results will generally need a considerable period of time. On the other hand, the carrying out of the economic reform will also need a certain amount of advance investment. In addition the reform will, at the beginning, encounter pressure from people's excessively high expectation of an income increase, and a very important consideration is that the reform means extensively readjusting the relations of interests among people. In order to ensure that the interests of the majority of the people will not be infringed upon in the readjustment, the state needs to expend a considerable amount of capital. Adding up the factors from these two aspects, a situation where materials are in short supply and the market is not stable will be liable to arise in the first several years of the reform. In the face of this situation we shall have two possible choices: 1) At the beginning of the reform we could maintain the economic development at a very high speed, extend the front of the capital construction, and very drastically enhance the purchasing power of the people, by so doing, the immediate beneficial results would seem very notable, but it would undermine the fundamental interests of the realization of the reform. Therefore, it is not worth adopting. 2) At the beginning of the reform we could adopt suitable tightening policies and retain relatively more financial and

material reserves to back up the reform, so as to make the reform proceed relatively smoothly. Thus, the beneficial results can be brought into play earlier and the national economy can move into a benign circle earlier. On this question, the experiences and lessons of some East European countries are very much worth paying attention to and drawing lessons from.

In view of these experiences, many economists abroad who are studying economic structural reforms propose that in the first few years of a reform it is necessary to consciously slow down the speed of production growth, reduce investments in capital construction, and avoid immediately increasing wages and bonuses by a big margin, so as to spare sufficient capita to back up the economic reform and ensure an excellent economic environment for the reform. Some scholars have pointed out that in the initial phase of a reform people should abstain from being hot-headed and enacting in practical economic development plans which are beyond the strength of a country. Some scholars also hold that at the beginning of a reform it is necessary to have effective controls over wages and bonuses. In spite of the temporarily different opinions of the masses, we should still resolutely stand up to the pressure. Only when the reform achieves results can we gradually increase the income of the masses and eventually win the support of the masses.

At present, the economic situation in our country is excellent. In recent years, not only has production been continually on the increase but the people's living standard has also steadily risen. In particular, the success of the rural reform, the flourishing of five industries, and the unprecedented prosperity of the economy provide excellent conditions for extensively carrying out the economic reform. However, certain latent dangers still exist under the excellent situation. The principal question occurs, as happens in any country which has just begun an economic reform, where the economic results have not been greatly improved yet pressures from every sector resulting from increased expenditure are unceasingly increasing. In recent years, the wage expenditures of the state (including wages, bonuses, allowances and so on) have increased speedily, and investments in capital construction have also increased greatly. Under circumstances where economic results have not been notably improved, some technical and economic targets have not reached previously recorded high levels, and the cost of comparable industrial products is still on the increase, obviously it is disadvantageous to the preparation of good conditions for the "initial battle" of the economic reform if we pursue higher growth speed, continuously expand the scale of capital construction, improve the people's living standard by a big margin and even recklessly issue money and materials as happened in the unhealthy trend of last year. In the days to come, the major reforms like price reform, wage reform and so on will successively be staged. Under these circumstances, reaching a cool-headed estimation of the economic situation, adopting effective measures, increasing the financial and material reserves of the state, preventing inflation and maintaining stability of the market have become the key to winning "the victorious initial battle."

In brief, the contradictions in the initial phase of the economic reform are that the key to winning further improvement in the financial and economic situation lies in improving the economic results, that the basis of improving

the economic results is precisely the changing of the ossified economic modes and the overall realization of the economic structural reform, and that the pace of the economic reform also determines how much capital we can afford and the extent to which we can relax finance and economy. If we cannot handle it well we shall aggravate the tensions in finance and economy. In face of this situation, it seems that we should adopt the strategy of adopting a tightening policy as much as possible in all other aspects and ensuring with all our strength the capital needs of the economic reform. The more abundant the financial reserves of the state, the more dashing and unperturbed can the pace of the economic reform become and the faster we can put our economy in order. If, as a result, although at the beginning the development of the reform seems a bit slow and the consumption level of the masses cannot be increased that much, the smooth progress of the economic reform is ensured, in the end it will become faster and the people will gain many more material benefits.

### The Necessity of Strengthening the Macroeconomic Control

In order to carry out the above-mentioned tightening principle and to maintain the macroeconomic equilibrium of the national economy and the stability of the market, it is necessary to strengthen the macroeconomic control over the national economy.

Any economic system has its own mechanism of macroeconomic control. Only when this mechanism functions normally can the economic system operate smoothly. In the traditional socialist economic mode, the leading body at every level controls the operation of the whole national economy through the means of administrative orders. In the planned commodity economy, the macroeconomic control is effected mainly through the market and the application of the economic and legislative, as well as administrative means. During the changing process from the old mode to the new structure in the economic reform, how to realize the smooth transition towards the mechanism of the macroeconomic control to ensure that the disorder in economic life will not arise is always one of the central questions which attracts the attention of the draft designers of economic reforms in every country.

In our country, it is even more complicated. The economic structural reform in our country does not adopt the "package" pattern in carrying out the reform in the main links of the economic system, instead it adopts a step-by-step reform pattern. For example, in the reform of planning structure, it adopts the method of gradually narrowing the scope of mandatory planning and reducing the mandatory targets; in the reform of pricing structure, it adopts the method of integrating "readjustment" with "relaxation," and so on. This method can enable the reform to proceed gradually without producing major social repercussions and can be advantageous to reducing obstruction, thus making the reform more readily acceptable to the people. However, the adoption of this method will also cause some problems. The main problem is: Because the method of gradual transition is adopted, the problem of "dual systems" and "dual traffic rules" will exist over a considerable period of time. This will add to the difficulties of macroeconomic control in the operation of the national economy.

At present, some of the negative phenomena arising in the national economy of our country are produced by the "dual system." Under the condition that the dual system is crisscross and mixed, two operating mechanisms which are different in principle will surely clash in operation and the mechanism of macroeconomic control itself will also surely have many loopholes and gaps; furthermore, the original system of economic control relying on administrative orders has been broken through in many aspects and the new control mechanism, mainly the adjustable market mechanism, which is suitable to the planned commodity economy cannot function well yet, and this will multiply the difficulties in control. Under the "dual system" the multilevel price of "one commodity with multiple prices" ([word indistinct] commodity prices, foreign exchange prices or foreign exchange rates, capital prices or interest rates, and so on) will surely exist. Without effective control illegal activities of reaping staggering profits, like buying up and reselling foreign currencies to make a profit, purchasing at low prices and reselling at high prices, speculating and profiteering, and so on, will be rampant. Taking advantage of position held and power at hand to profiteer from price differences will become an important form of the new unhealthy trend of using power at hand to seek personal gains.

Because the dual system will still exist for a period of time and under this complicated circumstances, it will be very difficult to effectively prevent the macroeconomy from losing control by purely relying on one means. Therefore, on the general premise of not affecting "the enlivening," we should use various methods as much as possible and not rigidly adhere to one means to strengthen the macroeconomic control over the national economy, in hopes of realizing the smooth transition from the old economic mode to the new economic structure.

First, in order to avoid a vacuum in the regulation mechanism of macroeconomy, we must uphold the effectiveness of administrative orders and the seriousness of financial discipline.

In view of the whole process of the reform, it will be an unchangeable development tendency that the scope of mandatory planning will be gradually reduced and the functions of economic means will be gradually magnified. However, at present a considerable part of the national economy is still managed by administrative orders. Moreover, even after the economic reform is completed, the application of administrative means still cannot be completely abolished. Therefore, it is necessary for us to discriminatingly maintain the effectiveness of the regulatory means of administrative orders. At present, the phenomena of violating financial discipline are rather common, and it happens very often that localities, departments, and enterprises intercept and keep financial revenue of the state, misappropriate production funds and administrative expenses, fail to complete mandatory production plans and allocation and transference plans stipulated by the state, arbitrarily force up commodity prices which should be fixed by the state and recklessly distribute money and materials. On some questions, the demarcation line between being legal and illegal is still blurred and obscured. Taking advantage of this situation, some people under the pretext of "enlivening" the economy engage in activities which undermine the interests of the state and consumers. In

view of this situation, it is necessary to carry out an overall investigation and rectification of the original rules and regulations, laws and decrees and disciplines, and make definite which have already been abolished, which are still effective, which should be revised and which should be supplemented. On the basis of making a clear distinction between right and wrong and making definite what can be done and what cannot be done, we must strictly enforce the law and should not let those law-breakers committing all kinds of outrages remain unpunished.

Second, as regards the socialist planned commodity economy, we should perfect as soon as possible the regulative market mechanism to enable the new economic structure to function normally.

In the national economy of our country, a considerable part has adopted the new structure of planned commodity economy. However, we lack experience in effecting the macroeconomic regulation in this economy, and the stipulation of this structure is not complete, therefore many loopholes exist. On one hand, the market conditions which can reflect both the labor consumption and the supply and demand of the pricing system and can be advantageous to carrying out competition have not formed yet, and behavior crippling normal competition, like taking advantage of administrative powers to block, monopolize, oppress and tyrannize over the trades concerned and the market, practicing bribery and performing deception, and so on, still happens sometimes. On the other hand, the leading bodies at every level in our country are also not skilled in comprehensively utilizing economic levers like prices, tax revenues, interests, monetary policy, and so on to regulate the market, and the state-owned wholesale enterprises are also not skilled in maintaining the stability of the market through participating in market activities, handling cargo and balancing and keeping down the commodity prices. In addition, it is still not quite clear what rights enterprises, as relatively independent commodity dealers, should have, what obligations they should fulfill, and what rules they should follow. Therefore, besides perfecting the legislation of economic laws on time and clearly stipulating the rules concerning the rights and obligations of enterprises as well as their market activities, we should also promote the reform in all fields which already possess the conditions, as we did this year in agriculture, to further perfect the market mechanism. In addition, the economic organizations of the leading bodies at every level should all learn the skill of applying economic means to regulate economy.

Third, in the economic field practicing the transitional economic structure, we should adapt ourselves to the crisscrossing situation of the dual system. By simultaneously integrating administrative means with economic means and establishing a compound system of macroeconomic regulation, we strengthen the macroeconomic control.

In places where the two economic structures are crisscrossing, it is often very difficult to get the desired result by purely adopting one method of macroeconomic control. In order to coordinate the economic means regulating the planned commodity economy with the original means of mandatory planning, regarding certain economic activities we should adopt the method of focusing on the regulation of administration orders, while making the application of various economic levers coordinate with it. Regarding some other economic

activities, we should mainly rely on the regulation of economic levers while making the stipulation of administrative orders subsidiary. It is also necessary to emphasize displaying the macroeconomic control functions of the banking system. Under the old mode, banks were only receiving and lending organizations of financial departments, obtaining loans was very much like "everyone eating from the same big pot," and the role of banks was very much limited. Banks under the new mode will become the most important regulatory pivots. Under the mode, many commercial banks (called specialized banks at present) will become relatively independent currency dealers under the leadership of the central bank, namely, the People's Bank of China. Within the scope of their own loan sources (including their own capital and deposits), they can independently manage the loan business and can themselves decide whether to extend a loan or not as well as the amount of a loan, according to the expected economic results and the terms of the refund guarantee. Through the "three major means" of deciding interest rates, developing open market business, and receiving and keeping reserve funds, the People's Bank regulates the activities of commercial banks and currency circulation and maintains the financial stability. During the present transitional period, specialized banks at every level should not only urge enterprises to improve operation and management through the above-mentioned loan business but are also invested with the administrative functions of supervising revenue and expenditure of enterprises and their handing over of profit tax. Apart from the application of the above-mentioned regulation means in accordance with the development needs of the national economy, the People's Bank should also apply administrative measures like stipulating quotas for specialized banks, freezing the drawing rights of certain accounts and so on to tighten or ease the money market in an effort to ensure the circulation of currencies and the stability of the market.

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NATIONAL POLICY AND ISSUES

PRC LEGAL PAPER ON HANDLING ECONOMIC DISPUTES

HK020800 Beijing ZHONGGUO FAZHI BAO in Chinese 8 Feb 85 p 3

[Article by Fei Zongyi [6316 1350 4440], executive councilor of the China Economic Legislation Research Association: "On Jurisdiction Over Cases of Economic Disputes Involving Foreigners"]

[Text] Following the rapid development of economic and trade contacts and technological cooperation with foreign countries due to the implementation of the open-door policy since the 3d Plenary Session of the 11th CPC Central Committee, more and more lawsuits on economic disputes involving foreigners have been brought to people's courts. On the basis of safeguarding sovereignty, adhering to the principle of mutual benefit, and observing international rules and regulations, people's courts should solve these economic disputes correctly, legally, and in a timely manner so as to protect the legitimate rights of the persons involved and to promote the development of foreign economic relations.

In handling cases of economic disputes involving foreigners, people's courts should be clear about whether they have jurisdiction over such cases. This is of primary importance in handling legal proceedings on economic disputes involving foreigners because first, the jurisdiction exercised by people's courts is a concrete manifestation of state sovereignty; second, defining jurisdiction for people's courts is a prerequisite for examining cases and handling lawsuits; and third, defining jurisdiction is closely connected with the exercise of various laws (including procedural law, laws on conflicts, and laws over entities), thus directly affecting the result of the examination of cases, or, more accurately, determining the destiny of the persons involved in economic disputes.

People's courts have three bases for exercising jurisdiction over cases of economic disputes involving foreigners: First is the Chinese civil lawsuit procedures (for trial implementation) and other legal provisions for jurisdiction. Chapter 2 of Part 1 of the Chinese civil lawsuit procedures (for trial implementation) provides general stipulations on graded and regional jurisdiction over civil cases (including economic disputes, similarly hereinafter). It does not, however, provide specific stipulations on jurisdiction over civil cases involving foreigners (including economic disputes involving

foreigners, similarly hereinafter). Apart from the stipulations on jurisdiction over agreements clarified by Article 192 under the "special stipulations on lawsuit procedures for civil cases involving foreigners" of Part 5 of the Chinese civil lawsuit procedures (for trial implementation), no specific stipulations on jurisdiction over civil cases involving foreigners are available. However, in accordance with the stipulations clarified by Article 185 of the Chinese civil lawsuit procedures (for trial implementation), the various stipulations on jurisdiction in Chapter 2 of Part 1, such as the stipulations on general regional jurisdiction over "the plaintiff and the defendant" and the stipulations on special regional jurisdiction and exclusive jurisdiction, are, in principle, applicable to civil cases involving foreigners. In addition, laws and regulations promulgated by China over the past few years, such as the sea environmental protection law, the law of sea traffic safety, regulations on Sino-foreign joint ventures, and the law on the income tax of foreign enterprises, are also the bases for handling cases of economic disputes involving foreigners. Second is the stipulations on jurisdiction over multilateral or bilateral international treaties concluded with China or with China's participation. People's courts should observe the international treaty on preventing oil pollution, the international agreement on railway goods combine transport, stipulations in the international treaty on air transport, the international treaty on civil jurisdiction over ship collisions, the Vienna treaty on diplomatic relations, the Vienna treaty on consular relations, and consular treaties signed between China and foreign countries. These treaties clarify stipulations on jurisdiction and exemption from jurisdiction. When stipulations in domestic laws contradict with international treaties, civil cases involving foreigners should be handled in line with international treaties. Third is international practices. As China's legislation is not perfect, when legal bases are not available, people's courts should follow international practices or international methods adopted by most of the countries in the world in defining jurisdiction over cases of economic disputes involving foreigners.

Based on the practice over the past few years, people's courts have adopted the following criteria in defining jurisdiction over common cases of economic disputes involving foreigners:

#### I. Cases of Economic and Trade Contracts Involving Foreigners

Article 23 of the civil lawsuit procedures (for trial implementation) stipulates that lawsuits brought because of disputes over contracts should be handled by the courts where the contracts are signed or implemented. If these courts find it difficult to handle such cases, they can transfer them to the courts where the defendant lives, as stipulated by Article 20 of the procedures. Based on this, Chinese courts have jurisdiction over lawsuits concerning disputes over economic and trade contracts involving foreigners so long as these contracts are signed and implemented within Chinese territory or the defendant belongs to an enterprise, undertaking, unit, or group in China. If the defendant belongs to a foreign enterprise or economic organization which has a permanent representative agency in China, the Chinese court where the agency is located has jurisdiction over such lawsuits. As for foreign enterprises or economic organizations which do not have permanent representative agencies in China but can pay off their debts with their property in China, the Chinese court where

the property is located has jurisdiction over the lawsuit brought against the defendant for the payment of debts. Chinese courts have jurisdiction over disputes arising in the course of implementing contracts for the establishment and operation of Sino-foreign joint ventures and Sino-foreign cooperative enterprises in China, contracts concerning Sino-foreign joint exploration of China's natural resources, and contracts concerning Chinese banks providing loans for foreign enterprises, foreign organizations, and foreigners, with the exception that both sides concerned can have arbitration rights. In addition, as stipulated by Section 1 of Article 192 of the civil lawsuit procedures (for trial implementation), Chinese courts not originally having jurisdiction over cases of disputes over economic and trade contracts signed with foreign enterprises and organizations can exercise jurisdiction over the agreements submitted by the persons of both sides concerned, provided that the agreements come under the jurisdiction of Chinese courts.

## II. Cases of Disputes Over Transport Contracts Involving Foreigners

1. Cases of disputes over railway goods transport contracts involving foreigners: According to the stipulations of Article 24 of the civil lawsuit procedures (for trial implementation), lawsuits concerning railway, highway, and waterway transportation and combined transportation should be handled by the courts where the administrative departments in charge of the cases are located. According to a stipulation of the international agreement on railway goods combined transport, the consignor can claim damages only from the dispatch station and the consignee from the station of destination; lawsuits concerning claims for damages can be filed only with the court of the dispatch country (or the country of destination). Article 24 of the civil lawsuit procedures (for trial implementation) is consistent with this stipulation.

2. Cases of disputes over contracts on international seaway goods transport: It is an international practice that through a bill of lading the shipper and carrier in seaway goods transportation designate a court in advance for handling a possible lawsuit. This method of negotiation over jurisdiction is also adopted in China's seaway goods transportation. Although Chapter 2 of the civil lawsuit procedures (for trial implementation) does not have any stipulation on the definition of jurisdiction, we recognize the effectiveness of jurisdiction exercised by Chinese courts over seaway goods transport contracts signed with foreigners, provided that the persons of both sides concerned have agreed to place the disputes over the contracts under the jurisdiction of Chinese courts. Moreover, if seaway goods transport contracts are signed in China, if the defendant carries out his operational activities mainly in China or if the port of loading and the port of discharge are in China, the Chinese court where the contracts are signed has jurisdiction over such contracts.

3. Cases of disputes over air transport contracts signed with foreigners: Article 25 of the civil lawsuit procedures (for trial implementation) stipulates that if the place of loading, the place of discharge, and the place where the contract is signed are within Chinese territory, the Chinese courts in these places have jurisdiction over the disputes regarding air transportation. According to a stipulation in Article 28 of the international air

transport treaty, a lawsuit claiming damages should be filed with the court where the office of the carrier is located, where the contract is signed, or where the port of destination is located. Therefore, so long as the plaintiff files a lawsuit with the Chinese court in one of the above places, the Chinese court concerned can exercise jurisdiction over such a lawsuit.

### III. Cases Claiming Compensation for Violation of Rights

Article 22 of the civil lawsuit procedures (for trial implementation) stipulates that lawsuits concerning the violation of rights should be handled by the courts where the rights are violated. Places where rights are violated refer both to places where such violation occurs and places where the consequences of such violation arise. Therefore, the courts in these places have jurisdiction over lawsuits concerning the violation of rights and the consequences arising therefrom, so long as these places are within Chinese territory. This is a general principle.

1. Cases claiming compensation for harm caused by sea pollution: Articles 2, 41, and 42 of the Chinese sea environmental protection law stipulate that Chinese courts have jurisdiction not only over the harm caused by sea pollution within Chinese territorial waters, but also over the consequences arising in Chinese territorial waters from the harm caused by sea pollution beyond Chinese territorial waters. According to Article 9 of the international treaty on civil responsibility for harm caused by oil pollution, the courts of the countries which participated in the conclusion of the treaty have jurisdiction over lawsuits claiming compensation for harm caused by oil pollution in the countries concerned. As for the jurisdiction of Chinese courts over cases claiming compensation for harm caused by ship oil pollution, this will be determined by the relevant stipulations of the treaty.
2. Cases claiming compensation for harm caused by air accidents: According to Article 26 of the civil lawsuit procedures (for trial implementation), if the harm caused either by the collision of air implements or by the materials disposed of from air implements is within Chinese territory, Chinese courts have jurisdiction over lawsuits claiming compensation for such harm.
3. Cases claiming compensation for harm caused by the collision of ships or other sea accidents: According to Article 27 of the civil lawsuit procedures (for trial implementation), Chinese courts have jurisdiction over lawsuits claiming compensation for harm caused by the collision of ships or other sea accidents so long as the port where the ship suffering damages first calls is within Chinese territory and the ship causing damages is detained or registered in a Chinese port. According to Articles 43 and 46 of the Chinese sea traffic safety law, the causes and responsibility for sea traffic accidents in China's coastal waters, such as the collision of ships and facilities, should be examined by Chinese sea traffic safety supervisory and administrative organs, which are also responsible for mediating the disputes arising from such accidents. In the event mediation proves unsuccessful or the two parties concerned refuse offers of mediation by the supervisory and administrative organs, lawsuits can be filed with the courts where such organs on handling the collision

of ships stipulates that the following courts have jurisdiction over the collision of ships: 1) the court where the defendant generally lives or does business; 2) the court where the ship causing damages or the ship belonging to the defendant is detained or where the detained ship is released on bail; and 3) the court in the area linked with the port or inland river where the collision takes place. The plaintiff has the right to file a lawsuit with the court he considers appropriate. Therefore, if the plaintiff files a lawsuit with a court which conforms to the above conditions, that court has jurisdiction over the lawsuit.

#### IV. Cases Concerning Beached Ships Rescue

Article 28 of the civil lawsuit procedures (for trial implementation) stipulates that Chinese courts have jurisdiction over lawsuits claiming payment for the rescue of ships on Chinese beaches.

#### V. Cases Concerning Disputes Over Patents

The court where a patent office is located has jurisdiction over lawsuits concerning disputes over patent rights, lawsuits demanding the nullification of patent rights, and lawsuits claiming compulsory payment for the use of patent rights. Lawsuits concerning the violation of patent rights should be handled by the court where patent rights are violated or where the violator of patent rights lives.

#### VI. Cases Concerning Clearing Mortgages Raised on Ships or Other Property

Chinese courts have jurisdiction over lawsuits concerning clearing mortgages raised on ships and other property so long as the mortgaged ships and other property are within Chinese territory or so long as the mortgage is raised within Chinese territory.

The world is currently engaged in fierce contention for jurisdiction. Many enterprises and organizations in our country do not understand how to protect their own legitimate rights and interests by legal means and, in particular, by filing lawsuits with Chinese courts. This problem demands a prompt solution.

CSO: 4006/440

## NATIONAL POLICY AND ISSUES

### ECONOMIC CONTRACT LAW DISCUSSED

Beijing JINGJI YU GUANLI YANJIU [RESEARCH ON ECONOMICS AND MANAGEMENT] in Chinese No 5, 30 Sep 84 pp 56-59

[Article by Dai Fengqi [2071 7685 1477] and Qu Ruoni [2575 5387 7206]: "Basic Facts About the Economic Contract Law"]

[Text] The Economic Contract Law is an important law in the field of production and circulation, and also an important integral part of economic law. The "Economic Contract Law of the PRC," adopted at the Fourth Session of the Fifth NPC on 13 December 1981 and in force from 1 July 1982, is the first set of a comparatively complete and systematic contract law. Its fundamental spirit is to provide a legal regulation of the economic relations between parties.

#### I. What Is To Be Understood by the Term Economic Contract

The number of economic contracts concluded annually by every large enterprise runs into the tens of thousands, and in medium and small enterprises also into the hundreds and thousands. In a study of the economic contract law, we must, therefore, first clarify what is to be understood by the term economic contract and what are its legal characteristics.

Economic contracts are agreements which are concluded between juristic persons for the purpose of achieving certain economic objectives and which clearly define the mutual rights and obligations between them.

A contract [hetung 0678 0681], also called "qiyue" [1148 4766] in Chinese, is an agreement that establishes, changes or abolishes certain relations in civil affairs between the parties. It is the product of the system of private ownership and commodity exchanges and has a history of several thousand years. Later, it became an important component of the bourgeois civil law. In speaking of economic contracts we refer to one kind of contracts. Economic contracts have the following features in common with general contracts:

First, an economic contract is a legal transaction. Some regard it as a purely economic transaction, which is wrong. In the same way as is the case with all contracts, the economic contract is a transaction with legal significance. With the conclusion of an economic contract, the parties have established between themselves rights and obligations protected by law. Second, the

economic contract has to be a transaction between the parties. One party alone cannot conclude a contract. Since there are two parties, the economic contract has to correspond to the common will of both parties. Third, the economic contract must be a legitimate transaction. If this is not the case, the parties will not only be unable to achieve their objective, but will have to bear responsibility for breaking the law.

The economic contract also has features that are different from those of general contracts. First, the parties to economic contracts must be juristic persons. By the term juristic person we refer to a social entity created by law, one which is able to exercise rights and assume obligations in its own name. A juristic person must be acknowledged as such by the state, must have undergone certain procedures, engage in legitimate activities in accordance with its particular purpose and must be able to enjoy rights and assume obligations. It must be able to hold property under its independent control, to practice independent accounting and to open its own bank accounts. It must also be capable of participating in its own name in court procedures, independently file suit or respond to suits. Second, the content of an economic contract mainly reflects relations concerning the production or circulation of commodities, based on the system of public ownership of the means of production. Civil contracts, on the other hand, mainly reflect commodity relations between citizens in the field of consumption. Third, economic contracts to a much greater degree must be subject to the restrictions of the state plan. Fourth, apart from economic contracts that are immediately fulfilled, all economic contracts must be concluded in writing. It must be noted in this connection that documents, telegrams and charts by which the parties in mutual agreement modify the contract are also component parts of the contract. Under modern conditions of communications, both parties may also agree on a contract by the exchange of telegrams, in which case the telegrams will be the component parts of the contract. A certain factory in Beijing was once allocated a special place of equipment by the state. After inspection of the goods in Shenyang, the factory expressed its satisfaction, and both parties after further negotiations drew up the articles of an agreement, and also agreed that buyer on his return to Beijing would notify the seller to ship the goods. On receipt of the buyer's telegram, the seller dispatched the goods accordingly. A long time after the seller had supplied the goods, the buyer went back on his word and on the pretext that seller had supplied the goods before a contract had been concluded, demanded that he be permitted to return the goods. Since both parties had already drawn up articles of agreement and the buyer had telegraphed to dispatch the goods, we must regard the economic contract as already concluded and must treat the return of the goods as a violation of the economic contract.

## II. How Is an Economic Contract Concluded?

The conclusion of an economic contract must be carried out according to the demands of the economic contract law.

### 1. Clarification of the Principles Governing the Conclusion of Economic Contracts

The principle of legitimacy. Legitimacy means that the parties to an economic contract must be qualified according to law, and that the content and form of the economic contract must conform with the provisions of the law. If this is not the case, the contract will not enjoy legal protection and the parties will be subject to investigation as to their legal responsibility. There was once this kind of an economic contract: The processing plant of a certain art company in Beijing assembled a truck by itself, which it sold to a certain production brigade in Changping for 10,000 yuan, with the promise that after delivery it would help the buyer obtain a license plate from the public security bureau. After payment of the purchase price, the seller did not fulfill his promise and the buyer, as a result, could not use the truck. He asked the seller to take back the truck and refund the purchase price, which the seller refused and which led to a lawsuit. This was an illegal, invalid economic contract, because it violated the principle of legitimacy of economic contracts.

The principle of planning. In China economic contracts are subject to the restrictions of the state plan. All products and items that are subject to directive planning by the state, must be transacted by signing economic contracts in conformity with the plan. The parties may only freely negotiate and conclude economic contracts concerning items for which the state has not issued plan directives. However, the content of the contract must not be harmful to the state plan. The pharmaceutical company of a certain province once freely sold a large lot of ginseng, which was also an item of the state plan, at a negotiated price, with the result that for a time there were no more stocks of ginseng left in the domestic market, an action which dealt a serious blow to the ginseng allocation plan of the state. This is something that is forbidden by law.

The principle of equality and mutual benefit, of reaching unanimity through negotiation, of compensation at equal value. In their contractual relations the legal position of the parties to an economic contract is one of equality, regardless of whether their system is one of public or collective ownership, regardless of the amount of their capital or the scope of their operations, and also regardless of which government unit they are subordinate to. As the economic contract is a legal act by two parties, it requires unanimity through mutual negotiation. It is not permissible to force one's will on others. The substance of the economic contract must provide benefits for both sides, and it is not permissible to conclude economic contracts that are gratuitous for one party.

The principle of a practical and realistic approach. When concluding economic contracts, the parties must truly act out of consideration for their actual business needs and must furthermore give consideration to their capabilities of fulfilling the contract. Many units blindly conclude economic contracts, regardless of their needs and regardless of their capability to fulfill the contract. As a result, they either create overstocking of materials and wastage, or they find themselves unable to fulfill the contract. These are situations that must be avoided as much as possible.

## 2. The Conclusion of Economic Contracts Must Be Conducted Earnestly, Conscientiously and Meticulously

Apart from the demand for unanimity through negotiation, our Economic Contract Law has no specific provisions on the way the contracts should be concluded. However, according to the spirit and principles of the Economic Contract Law, and according to the lessons gained from experience, we believe the following questions must be given attention in the course of concluding an economic contract:

First, both parties must confirm each other's legal qualifications. If concluded by agents, the representatives must show documents of authorization or powers of attorney. When economic contracts require documentary proof, both sides must conscientiously examine the relevant documents.

Next, where samples can be produced to serve as standards, such samples will be provided. After conclusion of the contract, the samples must be safely preserved by both parties. It has happened that samples were not preserved after conclusion of a contract, and when the goods that were supplied did not conform to the sample, there was no evidence to that effect and the rights of the injured party could not be protected.

Furthermore, each party must ascertain the capability of the other party to fulfill the contract. Without knowing the exact details of the other party, only having received a verbal reference, and then rashly concluding a contract has often led to being duped and cheated. It is, therefore, very important to ascertain the other party's capability to fulfill the contract. It is sometimes necessary to investigate on the spot the other party's factory facilities, equipment, technology and production techniques.

Finally, prior to concluding a contract, it is also necessary to ascertain in a variety of ways the solvency and the credit condition of the other party.

## 3. The Articles of the Economic Contract Must Be Complete, Clear and Specific

Our Economic Contract Law prescribes that economic contract must contain the following provisions:

The object. The object is the target toward which the rights and obligations of both parties are directed, it may be merchandise, services, an engineering project, etc. For instance, in a purchase and sales contract the object is merchandise, and in a loan contract the object is currency. The object must not be anything whose circulation is forbidden by law, and must be commodities or services which the parties can transact within the scope of their business activities. The objects of construction contracts must be engineering projects that have been approved by the department concerned.

Quantity and quality. Quantity is the measure of the magnitude of the object and determines the dimensions of the mutual rights and obligations. In the

quantity stipulations, attention must also be given to legitimate plus and minus balances, scale differences, reasonable losses, etc. In the measurement of the object, legal units of measure shall be employed. Without specifying quantity or leaving quantity unclear, the contract cannot be fulfilled. In a supply contract between a certain factory in Chongqing and a county-operated enterprise in Henan Province, the quantity was only stated as one-third of the quantity required by the blueprint. As a result, a dispute arose due to different interpretations of the one-third. Quality refers to the description, type, specific model and performance of the object and includes internal properties as well as other appearance. For quality standards, the state standards, specialized trade (branch) standards and enterprise standards should be used in this order. Where no such standards exist, both parties should agree on a standard and write it into the agreement. Unclear or inaccurate quality specifications are currently one of the main causes of contract disputes. A certain fishing brigade of a Tianjin fishery enterprise purchased a 50-ton hoist from a certain factory. On testing, it was found that the capacity was only 12 tons, which circumstance led to a dispute. The fact was that both sides were not clear about the standards for hoists. Experts stated that the largest hoists currently manufactured in China were only of 20-ton capacity.

Payment and remuneration. This is the price paid by the recipient of the object to the other party. Prices and remunerations must be calculated in RMB. The law prohibits barter. Where prices are fixed by the state, contracts must be fulfilled according to the prescribed prices. Where no prices are prescribed by law, the parties must negotiate prices.

Time-limit, place and method of performance. The time-limit for performance refers to the specific time within which rights and obligations must be realized, which may be calculated in 10-day periods, months or quarters of a year. The deadline must be stated as clearly as possible, and such formulations as "by the end of the year" or "latter part of the year" should be avoided. The place of performance is usually the place where the object has to be handed over. Performance method is the specific method by which the object is to be delivered. In purchase and sales contracts the method of performance can be either taking delivery by the party in need of the object, delivery by the supplier or shipment on behalf of the buyer.

Responsibility for contract violation. Responsibility for contract violation refers to the legal responsibility one party has to bear in case of nonperformance or incomplete performance of the contract; it mainly refers to economic responsibility. A contract without responsibility for violations would be without severity. Many units omit this stipulation when they conclude contracts, and if a dispute arises later, there is much argument back and forth and endless quibbling, to the detriment of production and business operations of both parties.

Other provisions. Provisions that are necessary in view of relevant regulations or the nature of the contract must also be written into the contract, for instance, packaging of the object and recovery, checking and acceptance methods regarding the object or engineering project, methods of settlement of accounts and arbitration clauses in contracts with foreign firms.

#### 4. Correct Selection of a Form of Guarantee for Economic Contracts

To strengthen contract discipline and raise the rate of contract fulfillments, our Economic Contract Law prescribes a system of guarantees. Guarantees are measures, either prescribed by law or agreed upon by the parties, that are adopted to ensure the effective fulfillment of the contract. The parties should make an accurate selection of the form of guarantee according to the category and nature of their economic contract.

**Earnest money.** Earnest money may be paid by one party to the other; it is to be returned or applied against the purchase price after fulfillment of the contract. The earnest money must not exceed the price of the object. If the party that has paid the earnest money violates the contract, it is not entitled to recover the earnest money. If the party that has accepted the earnest money violates the contract it has to repay double the amount of the earnest money. When using the method of earnest money, attention must be paid to do so according to relevant regulations. In China, payment of earnest money is currently only permitted in the case of two kinds of contracts, namely, for the purchase of farm produce and sideline products and for forward purchases of fodder.

**Guarantees.** If one party to an economic contract asks for a guarantee, a guaranteeing unit may provide the guarantees. Although the guaranteeing unit is not a party to the contract, it is affiliated with the guarantor with regard to the fulfillment of the contract. If the guaranteeing party does not fulfill the contract, the guaranteeing unit bears joint liability for the compensation of damages. The guaranteeing unit must, therefore, be a juristic person, as it would otherwise be unable to bear responsibility.

**Retention.** If one party is to take into custody the other party's property or process goods to be delivered by the other party, ~~and that party does not~~ pay on time storage charges or processing fees, the property of the delinquent party may be retained by the other party. In the case of a processing contract, if the party who has commissioned the processing does not take delivery of the item that has been processed within 6 months, the processor has the right to sell the processed article and may deposit any money in excess of his remuneration or storage charge in a bank in the name of the party who had commissioned the work.

**Penalty for breach of contract.** This is a form of guarantee that can be generally used in all kinds of economic contracts. It means that if one party violates the contract, the other party has a right to claim a penalty for breach of contract. Since this is a provision of the law, the fact that the economic contract may not contain a penalty clause, need not stop a party from demanding the right to claim from the defaulting party a penalty for breach of contract.

#### III. Fulfillment, Amendment and Dissolution of Economic Contracts

After agreement has been established in the negotiations between the two parties to an economic contract, it has attained legally binding force. The

term legally binding force of the economic contract means: it has to be completely fulfilled, it cannot be arbitrarily changed or dissolved, and in case of dispute, negotiations shall be promptly instituted to arrive at a solution; violations of the contract will entail legal responsibility.

The parties must completely fulfill the economic contract, that is, each party must completely fulfill its obligations. The fulfillment of the contract has to be effected exactly in accordance with whatever and in whichever way the contract prescribes.

After conclusion of the economic contract, neither party can arbitrarily change or dissolve the contract without mutual negotiation and agreement. However, changes and cancellations are possible under the following conditions: through negotiation and agreement between the parties, as long as state interests and state plan fulfillment are not jeopardized; if the state plan on which the economic contract is based is amended or canceled; if one party is factually rendered incapable of fulfilling the contract due to closure, suspension of production or retooling; if fulfillment of the economic contract has become impossible due to force majeure or due to unavoidable external factors without any fault on the part of the defaulting party; if the contract violation of one party renders performance of the contract unnecessary.

Some parties believe that on the occurrence of one of the above circumstances, the original contract becomes automatically invalid, that is, that it can be changed or canceled, and that all that is necessary is to only send an informal message to the other party. This is wrong. The change or cancellation of an economic contract must be effected according to legally prescribed procedure. The party who requests a change or cancellation of the economic contract must promptly notify the other party in writing, informing that party of the specific reasons, of one's own demands and arrangements, to allow the other party to prepare and take remedial action. Only after receipt of approval from the other party can the original contract be changed or canceled. Prior to both parties arriving at an agreement on the change or cancellation of the economic contract, the original contract remains valid. If the other party suffers losses due to the change or cancellation of the economic contract, the responsible party must pay compensation, except where the law exempts that party from responsibility. Cases where exemption from responsibility is prescribed by law generally refer to contract changes or cancellations due to force majeure.

If the change or cancellation of an economic contract involves products or projects of the directive plan of the state, approval must be obtained prior to signing any agreement from the department in charge of the particular line of work in the plan. Otherwise, the agreement on the change or cancellation of the economic contract shall be invalid, and both parties will, furthermore, have to bear a certain responsibility for their actions.

#### IV. Responsibility for Violations of Economic Contracts

Violations of economic contracts, usually called breaches of contract, refer to the nonfulfillment of incomplete fulfillment of contract obligations by

one party. The delinquent party must bear responsibility; that is a primary concern of the Economic Contract Law.

In affirming responsibility for breaches of contract, China adheres to the principle of fault, which means, if the breach of contract was the fault of only one party, the party at fault must bear responsibility for the breach of contract. If both parties are at fault, each party must bear due responsibility according to the actual conditions of the case.

The Economic Contract Law prescribes that if one party violates the economic contract it must pay a penalty to the other party. If the damage done to the other party exceeds the amount of the penalty, compensation must be paid for the part not covered by the penalty. This shows that penalties and compensations are legal forms of responsibility to be borne by the party violating the contract. The penalty is an economic sanction imposed on the defaulting party; it has the character of a punishment. The exact amount is to be determined according to state regulations and the contractual stipulations agreed upon by the parties. Compensation is an economic indemnity for damage paid by the delinquent party to the other party and must be limited to the amount of actual damage. Penalties and compensations cannot substitute for actual fulfillment of the contract, and if the other party demands continued fulfillment of the contract, there has to be continued fulfillment of the contract. To avoid having the delinquent party shift his losses on to the state or the consumers, the enterprises that have not instituted substitution of taxation for profit-delivery must pay penalties and compensations out of enterprise funds, retainable profits or their portion in the profit-and-loss responsibility arrangement. Enterprises that have instituted substitution of taxation for profit-delivery must make these payments out of the profits which the enterprise is allowed to retain as decided by the state, after payment of their income tax. The above-mentioned payments must not be made part of the production costs or extra-business expenditure, also not of the income that is to be turned over to the treasury. Public agencies of the administration must uniformly make these payments out of the operating expenses saved due to economies in the budgeted contracts and extra-budgetary funds, and must not squeeze them into the budget for operational expenses and in this way have them written off.

From the signing to the fulfillment of the economic contracts, there must always be someone responsible for each link in the process. If there is someone directly responsible for causing a major accident or serious damage due to dereliction of duties, malfeasance or other contract violations, for instance, by coercing workers to take risks in violation of regulations and thereby causing deaths, injuries and property damage, the responsibility of the person directly responsible in each such case shall be closely investigated in economic, administrative and even criminal respects.

If a breach of contract is caused by the mistake of a higher level leading organ or organ in charge of the particular line of business, these organs shall have to bear responsibility. The specific procedure in these cases shall be that the delinquent party shall first pay the other party the prescribed penalty or compensation, and the case shall then be appropriately dealt with by the higher level leading organ or the organ in charge of the special branch of business, whichever organ has to bear responsibility.

PROVINCIAL AFFAIRS

COMMUNIQUE ON FULFILLMENT OF 1984 LIAONING ECONOMIC PLAN

SK050507 Shenyang LIAONING RIBAO in Chinese 14 Feb 85 p 2

[Communique on fulfillment of Liaoning Province's 1984 economic and social development plan issued on 14 February 1985 by the Provincial Statistical Bureau]

[Text] In 1984, under the leadership of the provincial CPC Committee and the provincial people's government, the people of all nationalities in the province further implemented the principle of enlivening the domestic economy and opening to the outside world, accelerated the reform of the entire economic structure focusing on the urban economy, and scored marked achievements in economic and social development. According to initial statistics, the total annual product of society came to 83.79 billion yuan (calculated at the prices of 1984), an 11.9-percent increase over the previous year. Total output value of industry and agriculture reached 69.77 billion yuan (calculated at the constant prices of 1980), an 11.3-percent increase over 1983 (calculated according to the equivalent prices of 1980). The national income was 33.47 billion yuan (calculated at the prices of 1984), a 12.6-percent increase over 1983. In 1984, the total output value of industry and agriculture, the national income, and the output of 40 major products including grain, cotton, oil-bearing seeds, afforestation, raw coal, natural gas, steel, cement, plate glass, synthetic ammonia, chemical fertilizer, TV sets, and washing machines already reached the targets set for 1985 in the Sixth 5-Year Plan 1 or 2 years ahead of schedule. On the basis of developing the production, the market was brisk, the economic relations with foreign countries were unprecedentedly flourishing, living standards of the people continued to rise, and new progress was made in building socialist spiritual civilization.

Following is the fulfillment of the plan by all economic departments:

1. Agriculture

In 1984, owing to the implementation of Document No 1 of the CPC Central Committee, and the decision of the provincial CPC committee and the provincial people's government concerning protecting the specialized households and further developing the rural commodity production, the rural economy continued to develop profoundly and extensively, the responsibility system in agricultural production was improved constantly, a large number of specialized households and economic associations of various kinds emerged, commodity production developed rapidly, and reaped another bumper harvest in agriculture as a result of overcoming natural disasters.

The preliminary estimate of the total agricultural output value was 12 billion yuan, fulfilling the annual target by 109 percent, and a 9.1-percent increase over 1983 (deducting the 9.37 billion yuan of output value, 1.4-percent increase, created by industrial enterprises at or below the village level). In the total agricultural output value, output value of the cropping industry dropped by 1.3 percent; that of forestry increased by 8.8 percent; that of animal husbandry increased by 2.4 percent; that of sideline occupations increased by 42.9 percent; and that of fishery increased by 5.4 percent. The annual total output of grain and soybean was 28.5 billion jin, fulfilling the annual target by 114 percent and maintaining the second record year in the province although this figure was a 4-percent decrease from the previous year. Of the total grain and soybean output, output of paddy rice was 6.62 billion jin, an 8.1-percent increase over the previous year. Of the cash crops, output of cotton was 1.332 million dan, a 27.2-percent increase; that of oil-bearing seeds was 8.409 million dan, a 3.59-percent increase, of which, output of peanuts increased by 43.8 percent; that of flue-cured tobacco was 442,000 dan, a 23.4-percent increase; and that of vegetables was 15.7 billion jin, a 6.8-percent increase. Owing to the disaster caused by windstorms and floodings, output of fruits and tussah dropped by 8.2 percent and 29.9 percent respectively. Because of the continuous implementation of the policy of designating "two mountains" to households, total afforested areas reached 4.79 million mu, fulfilling the annual target by 159.7 percent; and a 16.7-percent increase over the previous year. Of this, the areas afforested by peasants individually reached 2.48 million mu, more than a 100-percent increase. With regard to livestock production, 2.847 million head of large animals were in stock at year end, an increase of 9 percent over the previous year. Of which, cattle in stock increased by 13.1 percent. The output of fresh eggs and milk respectively increased by 25.3 percent and 2.52 percent and the output of pork, beef, and mutton also increased over the previous year. However, the number of hogs and sheep in stock at year end respectively dropped by 10.1 percent and 6.6 percent. With regard to sideline production, greatest progress had been made in the production of industrial enterprises at and below the village level. The output value realized by these enterprises reached 2.63 billion yuan, an increase of 49.4 percent over the previous year. The output value realized by nonindustrial enterprises and the industrial enterprises concurrently managed by peasants was 500 million yuan, an increase of 35.1 percent. With regard to fishery output, good achievements had been made in catching and breeding aquatic products. The output of aquatic products was 542,000 tons, an increase of 7.2 percent over the previous year. Of which, the volume of sea fishery, sea water farming, and freshwater farming respectively increased by 3.6 percent, 10.8 percent, and 44.8 percent.

Along with the development of rural commodity production, the output of farm commodities continuously increased. In 1984, the peasants sold 13.6 billion jin of grain. Our province was again more than self-sufficient in grain. The sales volume of edible vegetable oil was 195 million jin, an increase of 11.4 percent. The sales volume of cotton was 1.28 million dan, an increase of 26.1 percent.

New improvements had been made in agricultural material and technological equipment and agricultural production conditions. At the end of 1984, the total power capacity of farm machines was 10.28 million horsepower, an increase of 9.3 percent over the 1983 year end figure. The number of large, medium, and small, and hand-guided tractors was 125,000, an increase of 18 percent. The

number of trucks for farm use was 20,000, an increase of 17.6 percent. The figure for irrigation and drainage equipment was 2.15 million horsepower, an increase of 3.9 percent. A total of 762,000 tons of chemical fertilizers were applied, an increase of 12.9 percent. The total consumption of electricity in rural areas was 2.77 billion kwh, an increase of 1.1 percent.

## 2. Industry

In 1984, the development of industrial output was balanced and coordinated in a rather rapid manner. Marked improvements had been made in economic results. The total industrial output value throughout the year was 57.77 billion yuan, an increase of 11.8 percent over the previous year, (including 60.4 billion yuan of the output value by the industrial enterprises at and below the village level, an increase of 13.1 percent). The output value of state industrial enterprises increased by 8.5 percent and the output value of collectively-owned industrial enterprises increased by 21.4 percent, showing the fastest increases since the 3d Plenum of the 11th CPC Central Committee. The province fulfilled and overfulfilled the targets for the output of 63 of the 80 principal industrial products, including raw coal, crude oil, electricity generating volume, pig iron, steel, steel products, cement, television sets, and chemical fiber.

In 1984, the heavy industrial output value was 37.43 billion yuan, an increase of 11.9 percent over the previous year. The situation in which the development of heavy industrial output was slow in recent few years has been changed. Of this, the output value of the metallurgical industry increased by 7.9 percent, that of petroleum industry by 5.1 percent, that of chemical industry by 9.9 percent, and that of machinery industry by 20.9 percent. Of raw material products, the output of steel products was 6.714 million tons, an increase of 8.4 percent; that of steel was 9.673 million tons, an increase of 4.3 percent; that of pig iron was 10.032 million tons, an increase of 2.3 percent; that of synthetic ammonia was 909,000 tons, an increase of 3.9 percent; and that of cement was 9.226 million tons, an increase of 5.8 percent. With regard to energy industry, the output of primary energy (calculated in terms of standard coal) was 44.27 million tons, an increase of 14.1 percent. Of this, the output of [word indistinct] coal was 42.096 million tons, an increase of 11.8 percent; the electricity generating output was 32.3 billion kwh, an increase of 3.8 percent; the output of crude oil was 7.83 million tons, an increase of 23.3 percent; and that of natural gas was 1.37 cubic meters, an increase of 8.3 percent. Of the machinery products, the output of cars was 18,000, an increase of 75 percent; that of machine tools was 19,000, an increase of 7.4 percent; and that of hand-guided tractors was 31,000, an increase of 48.9 percent.

The 1984 output value of light industry was 20.34 billion yuan, an 11.6-percent increase over 1983. Of this figure, output value of the textile industry increased by 15.3 percent, and that of the food industry increased by 4.4 percent. Among the durable consumer goods, output of family-use refrigerators was 5,960 units, an 800-percent increase; that of family-use washing machines was 850,000 machines, a 35.7-percent increase; that of televisions was 567,000 sets,

a 33.1-percent increase; and that of cameras was 96,000 cameras, a 28.3-percent increase. Among the textile industrial products, output of chemical fiber was 117,000 tons, a 48.2-percent increase; that of polyester blend fabric was 250 million meters, a 21.5-percent increase; and that of woolen piece goods was 10.944 meters, a 19.2-percent increase.

Along with the intensive development of the reform of the industrial economic structure, economic results improved remarkably. On 1984, a total of 132 provincial-run enterprises have been put under lower administrative levels in three groups; 204 industrial enterprises implemented, on an experimental basis, the system of factory directors (managers) designated to undertake responsibility; and most industrial enterprises instituted the contract system and implemented the principle of distribution according to work, thus vitalizing themselves. A total of 935 products were appraised as quality products by various departments at various levels, a 27.9-percent increase over 1983. Of these 100 products won state prizes, a 53.8-percent increase, and ranking second in the country; 271 products were appraised as quality products by ministries, a 32.2-percent increase; and 564 products appraised as quality products by the province, a 22.3-percent increase. The productivity of all people owned-industrial enterprises conducting independent accounting increased by 9.3 percent. Profits and taxes from budgetary industrial enterprises increased by 20.9 percent, thus effecting simultaneous increases in output value, profits and taxes, and income. Deficits caused by unprofitable enterprises decreased by 37.4 percent. In addition, because of the efforts to strengthen management of energy resources and renovate some equipment that consumed much energy, industrial enterprises across the province saved 3.235 million tons of standard coal.

### 3. Investment in Fixed Assets, and the Building Industry

In 1984 total investment in fixed assets of state-owned units amounted to 7.29 billion yuan, a 28.8-percent increase over 1983. Some 5.66 billion yuan worth of fixed assets were made available to users, and the percentage of construction projects that were turned into fixed assets and became productive was 77.6 percent. Investment in capital construction was 3.88 billion yuan, a 30.7-percent increase over 1983, as calculated in terms of comparable items. Of the total sum of investment in capital construction, 1.94 billion yuan represented state budgetary investment, a 25.3-percent increase over 1983; 1.257 billion yuan was raised privately, a 36.4-percent increase; and 2.03 billion yuan was productive investment, a 42.7-percent increase. The proportion of the productive investment in the total volume of investment increased from 51.1 percent in 1983 to 52.3 percent in 1984. The non-productive investment increased by 35.8 percent, and the proportion of the non-productive investment in the total volume of investment dropped from 48.9 percent in 1983 to 47.7 percent in 1984. Construction of key projects was strengthened. Investment in the energy industry increased by 20.5 percent; that in light industry, 62.81 percent; that in the transport, postal, and telecommunications industries, 100 percent; that in the cultural, educational, and scientific research services, 18.1 percent; and that in urban construction, 54.81 percent. Major large and medium-sized projects completed and put into production include: the first-stage project of the Jinzhou Power Plant, with an installed capacity of 220,000 kw; the fourth-stage project of

the Qinghe Power Plant, with an installed capacity of 200,000 kw; the Shenyang Glass Plant, with a production capacity of 200,000 standard boxes of plate glass; the Yingkou Saltworks, with a production capacity of 350,000 tons of crude salt; and the Shenyang pressure gasification plant, the construction of which has been basically completed and which has put into trial production. The single-item projects which were completed and put into production were the Xiaoqing vertical pit of the Tiefa coal mining area, with a newly added mining capacity of 1.2 million tons; the project to rebuild the Liaohe Oilfield with a newly added oil extracting capacity of 802,000 tons; the north well of the clay mine at Fuzhouwan, of the Anshan Iron and Steel Company; the Yuguo marshalling station of the Shenyang Railway Center; and the Gongchangling Iron Ore and the power transmission and transformation line of the Anshan Iron and Steel Company. Buildings completed in 1984 totaled 5.116 million square meters in floor space, an 18.2 percent increase over 1983. These buildings could accommodate more than 100,000 households.

Enterprises' technological transformation improved. In 1984, the province invested 3.41 billion yuan to help state enterprises conduct equipment innovations and technological transformations, an increase of 11.4 percent over the previous year. Of this, the investments in production projects increased by 25 percent, with its proportion up from 72.1 percent in 1983 to 78.8 percent, and the investment in non-production projects dropped by 13.3 percent, with its proportion down from 27.9 percent to 21.2 percent. Of the investments in production projects, the investment in purchasing and installing equipment and tools and implements increased by 32.2 percent, with its proportion up from 36.4 percent to 42.1 percent, and the investment in increasing the production of and conserving energy resources increased by 62.7 percent.

Because the capital contract system and the open bidding system were carried out, the output of the building industry developed vigorously and economic results further improved. In 1984, the total output value of state and collective construction enterprises was 3.8 billion yuan. Of this, the total output value of the state construction enterprises increased by 28.2 percent over the previous year. In 1984, 806 construction projects were undertaken on a contract basis through bidding, covering an area of 1.667 million square meters. The time limit for the projects was shorter than the schedule fixed by the state by 23 percent, the cost of the projects decreased by 10 percent, and the construction quality improved remarkably. The per capita labor productivity of state construction enterprises increased by 21.1 percent.

#### 4. Communications, Transportation, and Post and Telecommunications

Transportation capacity was raised because the communications departments enthusiastically adopted a series of effective measures for separating road transportation from railway transportation and encouraging the masses to engage in transportation service. In 1984, the volume of railway freight moved throughout the province was 135 million tons, an increase of 1 percent; that of road freight was more than 40 million tons, an increase of 7.7 percent; that of waterway freight increased by 18.3 percent; that of air freight increased by 16.5 percent; and that of oil carried through pipelines increased by 3.8 percent. The volume of cargo handled by seaports was 43 million tons, an increase of 14.4 percent. The volume of railway passenger transportation

was 198.9 million persons, the same figure as that for the previous year; that of road passenger transportation was 165.22 million persons, an increase of 13.8 percent; and that of air passenger transportation increased by 43.4 percent. Fairly rapid developments had been made in post and telecommunications. In 1984, the total business volume of post and telecommunications was 146.6 million yuan, an increase of 13.9 percent. Of this, the number of letters handled increased 13.5 percent and number of long-distance telephone calls increased by 19.9 percent. The economic results of communications and postal and telecommunications departments also increased. The per capita labor productivity for railway transportation increased by 5.2 percent over the previous year. The fuel consumption per 10,000 ton-kilometers of internal combustion engines decreased by 5.6 percent. The profits realized in road transportation increased by 9.6 percent. Time in port for foreign trade shipping was 7.9 days, 1.3 days shorter than the previous year. The profits realized by postal and telecommunications enterprises increased by 16.8 percent.

#### 5. Commerce and Goods Prices

In 1984, the total commodity purchasing volume of the state commercial enterprises and supply and marketing cooperatives in the province was 1.24 million yuan, an increase of 6.1 percent over the previous year. Of this, the purchasing volume of industrial products increased by 15.9 percent and the purchasing volume of agricultural and sideline products decreased because of poor purchasing in the areas of grain and hogs.

In 1984, the volume of retail sales of commodities was 18.9 billion yuan, an increase of 17.5 percent over the previous year, (after factoring in the increase in the prices of goods, the real increase was 12.9 percent). Of this, the retail sales of consumer goods increased by 17.8 percent, and sales of capital goods in agricultural production by 12.9 percent. The volume of sales of most principal consumer goods increased over the previous year. Edible vegetable oil by 6.8 percent; eggs by 15.1 percent; aquatic products by 4.4 percent; wine by 13.5 percent; cigarettes by 8.4 percent; chemical fiber fabrics by 11.4 percent; woolen fabrics by 44.3 percent; silks and satins by 42 percent; leather shoes by 13.7 percent; television sets by 21.8 percent; bicycles by 5.5 percent; washing machines by 64.6 percent; and electric fans by 35.9 percent. Retail sales in all sectors of the economy increased and the individual economic sectors registered faster growth. The value of retail sales in the state economic sector increased by 11.6 percent; that in the collective economic sector, 18.7 percent; and that in the individual economic sector, 77.7 percent. The retail sales of peasants to non-agricultural residents increased by 25.2 percent. Marked changes had taken place in market structure. Of the volume of retail sales of commodities, the proportion of the state economic sector declined from 67.9 percent in the previous year to 64.5 percent; that of the collective economic sector increased from 21.7 percent to 22 percent; and that of the individual economic sector increased from 5.6 percent to 8.5 percent. In 1984, the business volume of urban and rural trade fairs was 1.65 billion yuan, an increase of 33.4 percent over the previous year. The business volume of most principal goods increased over the previous year: edible vegetable oil by 59.8 percent; fresh fish by 72 percent; beef by 41.7 percent; live chicken by 28.7 percent; and eggs, pork, and vegetables from 16.3 percent to 23.8 percent.

In 1984, greater progress had been made in the reform of the commercial economic structure. The province has established 30 city-level trade centers. Of this number, 16 are trade centers for industrial products and 14 are trade centers for nonstaple foods. A total of 30 trade centers were established in 18 counties. Some 74.3 percent of the province's total small state retail sales commercial, catering, and service trades have carried out open business and 93.4 percent of them were turned into trades owned by the state and managed by the collectives.

In 1984, market prices rose because of the readjustment of the policy for purchasing and marketing agricultural and sideline products, and the expansion of commodities with negotiated prices. Specific market price increases were as follows: The general price index for purchases of agricultural and sideline products increased by 2 percent and the general price index of retail sales increased by 3.9 percent. Retail prices in urban areas rose 3.7 percent and those in rural areas rose 4.5 percent. The retail prices of foodstuffs went up 5.1 percent, of which nonstaple foods rose 7.9 percent. Of nonstaple foods, fresh vegetables rose 9.4 percent, meat, eggs, and poultry rose 2 percent, aquatic products rose 38.5 percent, and fresh fruits rose 13.2 percent. Prices of books, papers, and magazines rose by 11.2 percent. Medicines rose by 4.3 percent. Prices for agricultural means of production went up 9.3 percent. The prices of grain, cigarettes, wine, tea, clothing, educational and recreational articles, and fuels were basically stable. The price index for the cost of living of workers and staff members rose 3.6 percent. Of this, the price index for consumer goods rose 3.7 percent and that for service items rose 2.4 percent.

## 6. Foreign Economic Trade and Tourism

In 1984, the total purchasing volume of the commodities exported was 3.1 billion yuan, an increase of 0.3 percent over the previous year. The total volume of commodities exported from Dalian port was \$5 billion, an increase of 25.5 percent, with its proportion of the country's total export volume up from 17.7 percent in the previous year to 20.4 percent. Of the 50 principal export commodities, the province overfulfilled the export targets for 35 commodities. The province overfulfilled the export targets for aquatic products by 49.1 percent, cotton cloth by 59.1 percent, cotton polyester cloth by 29.3 percent, cotton knit textiles by 59.8 percent, silk by 91.2 percent, herbal medicines 63.2 percent, and refined oil by 53.7 percent. The total volume of commodities imported was \$120 million, an increase of 57.2 percent.

We created a new situation in utilizing outside capital and introducing advanced technology. In 1984, the province signed contracts with outside areas worth \$443.2 million, a 450-percent increase over the 1983 figure, and equal to 1.6 times the figure accumulated during the past 5 years. Of these contracts, those involving utilizing outside capital were worth \$78.7 million, a 99.2-percent increase over the 1983 figure, and those introducing advanced technology were worth \$364.5 million, an increase of 7.8 times over the 1983 figure. The province used more than \$113 million in foreign exchanges. The new contracts for construction projects and labor service with outside areas were worth more than \$18 million, an increase of 10.6 times over the 1983 figure. The province fulfilled contracts worth \$820,000.

We also achieved new development in tourism. In 1984, the province hosted 54,800 visitors, a 19.9-percent increase over the 1983 figure, from 98 countries and regions around the world. These people visited in order to make tours and observations, to visit relatives and friends, to consult trades, and to conduct programs of scientific and technological, cultural, and sports exchanges. Of these visitors, the number of foreigners reached 48,100, a 20.4-percent increase over the 1983 figure, and that of Overseas Chinese and compatriots from Hong Kong and Macao reached 6,700, a 16-percent increase over the 1983 figure. The annual income from tourism totaled 21.72 million yuan renminbi, a 49.5-percent increase over the 1983 figure.

## 7. Finance, Banking, and Insurance

In 1984, our province scored a steady increase in revenues, achieved a balance between revenues and expenditures, and realized a small surplus. The revenues covered by the local financial budget reached 7.18 billion yuan, a 10.6-percent increase over the 1983 figure. The province overfulfilled the budget by 5.6 percent. The expenditures covered by the local financial budget reached 4.11 billion yuan, a 21.7-percent increase over the 1983 figure, and 92 percent of the local financial budget.

At the end of 1984, deposits in banks throughout the province reached 16.75 billion yuan, a 22.5-percent increase over the figure at the beginning of 1984. The volume of loans reached 26.31 billion yuan, a 19.3-percent increase over the figure at the beginning of 1984. The province scored an increase of 2.56 billion yuan in the balance between credits and refunds. The saving deposits of urban and rural residents reached 7.36 billion yuan, a 33.3-percent increase over the figure of the beginning of 1984.

We achieved new development in the insurance business. In 1984, the province increased the types and varieties of insurance policies offered from 51 in 1983 to 60 in 1983. The province scored a 22.5-percent increase over the 1983 volume in domestic property insurance, an increase of 5.48 times over the 1983 volume in personal insurance, and a 20.9-percent increase over the 1983 volume in foreign property insurance.

## 8. Science, Education and Culture

The ranks of the scientists and technological workers are growing steadily, and the level of science and technology is rising continuously. In 1984, units run by the state throughout the province had 458,000 technicians in the natural sciences, a 6.7-percent increase over the 1983 figure. The province achieved more than 1,900 results in scientific and technological research, of which major and important results totaled more than 800 items.

We scored new achievements in conducting reforms in the educational structure. In 1984, the province had 2,124 graduate students, an increase of 698 over the 1983 figure. The number of students in general higher educational institutions reached 79,000, an increase of 12,000 over the 1983 figure; that of students in adult higher educational institutions reached 108,000, that of students in general senior middle schools reached 294,000, an increase of

41,000 over the 1983 figure; that of students in general junior middle schools reached 1.468 million, a decrease of 97,000 over the 1983 figure; that of students in secondary vocational schools reached 61,000, an increase of 10,000 over the 1983 figure; that of students in agricultural middle schools reached 24,170, an increase of 1,569 over the 1983 figure; that of students in vocational middle schools reached 71,000, an increase of 71,000 over the 1983 figure; and that of pupils in elementary schools reached 4.309 million, an increase of 23,000 over the 1983 figure. The percentage of children of school age who entered schools reached 98.4 percent, an 1.5-percent increase over the 1983 figure.

The undertakings in the areas of culture, radio and television broadcasts, and publications made new contributions to the program of building socialist spiritual civilization. In 1984, the number of new films reached 179, and the number of various film projection units, people's art and cultural centers, public libraries, and museums surpassed the number for 1983. Radio and television broadcast programs were further enriched and became more colorful. The province had 62 newspapers in 1984, with a 12-category increase over the 1983 figure, and it published 1,611 categories of books and periodicals, a 223-category increase over the 1983 figure. The literary and art circles throughout the province also created a large number of outstanding works and plays and operas.

#### 9. Public Health and Physical Culture and Sports

We achieved new development in public health undertakings. In 1984, hospitals across the province had 129,000 patient beds, a 9,000-bed increase over the 1983 figure. The number of health workers in public health fields reached 186,000, a 5,000-person increase over the 1983 figure. Of these health workers, doctors totaled 64,000, an increase of 1,000 over the 1983 figure. The province also strengthened work in preventing common and endemic diseases.

The physical culture and sports front scored marked achievements in its activities. In 1984, sportsmen of our province joined in eight events at the 23d Olympiad and won three gold medals, one silver medal, and two bronze medals. During the year, they won 27 championships at international events participated in by more than three countries. Two of our sportsmen broke two world records on three occasions, and one of them set the best world record in power walking. Three broke four Asian records on four occasions. Eleven sportsmen of the province broke 11 national records on 17 occasions. Among the national events, our sportsmen won 93 championships, topping their previous peak. The province also held 1,426 sports meetings at or above the country level.

#### 10. People's Livelihood

Further improvements had been made in the livelihood of urban and rural people. According to a sample survey on the income and expenses of peasant households, in 1984, the per capita net income of the peasant households was 477 yuan, of which the income from the productive activities was 424 yuan, respectively increasing by 6.5 percent and 7.1 percent. Per capita living expenses

totaled 355 yuan, an increase of 9.1 percent over the previous year. Of this, expenses for daily-use consumer goods increased by 8.6 percent and those for cultural service activities increased by 28.6 percent. According to a sample survey on the income and expenses of worker and staff households, in 1984, per capita income for living expenses was 586 yuan, an increase of 14.7 percent over the previous year. After factoring in changes in the prices of goods, the real income increased by 10.7 percent.

In 1984, 432,000 urban residents awaiting jobs found employment. At year's end, the number of staff members and workers was 9.145 million, an increase of 5.3 percent over the previous year. Of this, the number of staff members and workers in urban collective units was 3.142 million, an increase of 14.2 percent, and that in urban individual units was 143,000, an increase of 21.2 percent. The annual wages of workers and staff members for the entire year totaled 8.46 billion yuan, an increase of 17.2 percent. Of this, bonuses and wages paid for above-quota piece work reached 1.44 billion yuan, an increase of 44.6 percent. The annual per capita cash wage for workers and staff members was 920 yuan, an increase of 14.1 percent.

#### 11. Population

According to a sample survey, at the end of 1984, the total population was 36.6 million, an increase of 310,000 people over the previous year's figure. The birth rate was 12.09 per thousand, the mortality rate 5.15 per thousand, and the natural growth rate 6.94 per thousand, registering drops from the previous year. The province made marked achievements in family planning work and set records in various targets for planned parenthood. The family planning rate was 99 percent, the one-birth rate was 95 percent, and the multiple-birth rate was below 0.2 percent.

In 1984, our province made marked achievements in economic work. However, there are still some problems ahead of us. Principally, they are as follows: We are short of energy resources and raw materials, and have strains in the areas of communications and transport. The production structure of consumer goods does not meet the demands for changes in the structure of social consumption. Circulation channels are not sufficiently clear. Rural areas fail to completely solve their difficulties in purchases and marketing of goods. We fail to comprehensively tap our potentials in improving economic results. The prices of some commodities were greatly increased. We have taken and are taking essential measures for solving these problems.

CSO: 4006/440

PROVINCIAL AFFAIRS

GUANGXI ECONOMIC DELEGATION TO VISIT HONG KONG IN MARCH

HK261331 Nanning Guangxi Regional Service in Mandarin 1130 GMT 25 Feb 85

[Text] A Guangxi economic delegation with Huang Yun, a deputy secretary of the regional CPC committee and head of the Guangxi Foreign Economic Work Leadership Group, as head, and with Luo Ming, adviser to the regional people's government, and (He Ji), deputy head of the Guangxi Foreign Economic Work Leadership Group, as deputies, is scheduled to go to Hong Kong at the beginning of March for a working visit.

During its stay in Hong Kong, the delegation will introduce in various forms to industrial, commercial and financial circles Guangxi's natural abundant resources, excellent environment for investment, and preferential policy on utilizing foreign capital to import technology. Through various channels, the delegation will extensively contact and visit old friends, will make new friends, will inform foreign countries about our region's first group of cooperative items after talks with foreign countries, and will invite foreign firms to come to Nanning to attend the Guangxi talks on international economic and technological cooperation at the end of April.

The delegation will also look around Hong Kong's construction, will study experiences in modernized enterprise management, and, through the window of Hong Kong, will gain understanding of the situation in the world's economy and trade.

CSO: 4006/423

PROVINCIAL AFFAIRS

NEW POLICIES TO PROMOTE BEIJING PUBLIC SERVICE

OW011208 Beijing XINHUA in English 1149 GMT 1 Mar 85

[Text] Beijing, 1 Mar (XINHUA)--Beijing workplaces must give their buildings on the main streets over to shops, restaurants and other public services, said Vice Mayor Sun Fuling here this morning. He was addressing a weekly press conference of the City Journalists' Association.

He said that taxes will be levied on organizations which leave suitable buildings unused after July 1st. Those unable to start their own businesses must let or sell the property. The decision was made by the municipal government to boost the city's service trades this year. The rule does not apply to private houses.

Suitable halls must also be turned into public cinemas. Offenders will be fined, part of the fine coming from the pockets of the organizations' leaders, the vice mayor said.

A survey will ascertain numbers of buildings and halls affected, and detailed regulations will be discussed, he added.

The city's busiest shopping centers are concentrated on Wangfujing, Xidan and Qianmen Streets. Many people have to travel miles for heavy shopping.

More service facilities will appear in many new residential areas. The ground floor of any new residential building must be used commercially, he said.

The city will also add more than 27,000 hotel beds this year to accommodate the great numbers of travelers and business people arriving in the capital daily, Sun noted.

CSO: 4020/132

PROVINCIAL AFFAIRS

BRIEFS

LIAONING ECONOMIC, TECHNICAL COOPERATION--In 1984, by taking advantage of favorable conditions and avoiding weakness, our province scored remarkable achievements in conducting various forms of economic and technological cooperations with other areas. So far, the province has established cooperation ties with 24 provinces, municipalities and regions. The province successively signed agreements of intention on conducting cooperations in a comprehensive way with 10 provinces, municipalities, and regions including Heilongjiang, Nei Monggol, Shanghai, Guangdong, and Sichuan. The province has signed agreements on cooperatively conducting 3,099 projects. Of this, 895 are agreements on economic cooperations and 2,024 are agreements on technological cooperations. The province also collected 170 million yuan of funds from in and outside the province to help Benxi, Xin Fushun, and Lingyuan Iron and Steel Companies conduct technological transformations. In 1984, our province had made great progress in conducting cooperations in supply of energy resources. The province purchased 2 million tons of coal from other areas through cooperations, an increase of 100 percent over 1983. Calculating in terms of per 10,000 tons of coal creating 1.8 million yuan of output value, the province might have an increase of 3.6 billion yuan of output value and realize 360 million yuan of profits. [Excerpts] [Shenyang LIAONING RIBAO in Chinese 9 Feb 85 p 1]

HUBEI DRINKING WATER PROBLEM--Our province will solve the drinking water problem for residents of county seats by stages and in groups within 3 years. After penetrating investigation and study, the provincial urban and rural construction department has formulated a plan for implementation. Over a long period of time, due to the slow development of constructing basic urban and rural facilities in our province, water supply facilities in the majority of the more than 60 county seats throughout the province are simple and crude and the conditions for purification treatment are poor. In some county seats people are required to fetch water manually by themselves, and this does not conform to hygienic standards for drinking water. Therefore, in accordance with the requirements for hygienic water supply, our province has recently decided to use the method of investment by the state, loans issued by banks, and funds raised by localities and to organize state-run enterprises, collectives, and individuals to jointly set up tap water plants so that purified water can flow into thousands of households and benefits can be brought to the people. In accordance with the plan for implementation of the provincial urban and rural construction department, modern tap water plants will be first built this year in 11 county seats, including Dawu, Jingshan, Hongan, Fangxian, and Nanzhang. [Text] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 27 Feb 85 HK]

## ECONOMIC MANAGEMENT

### GUAN GUANGFU ON DEVELOPING HUBEI'S MOUNTAIN, RESERVOIR AREAS

HK030546 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 28 Feb 85

[Excerpts] While Comrade Guan Guangfu, secretary of the provincial CPC committee, was conducting investigation and study in Tongshan County, he emphatically pointed out that it is necessary to resolutely implement Comrade Hu Yaobang's instruction on invigorating the mountainous and reservoir areas, to adopt special policies toward the reservoir areas, and to adopt comprehensive exploitation measures. After several years of efforts, we must change the appearance of the reservoir areas.

In order to study and implement Comrade Hu Yaobang's instruction on invigorating the mountainous and reservoir areas in Tongshan while he was inspecting Xianning Prefecture last December, on the second day of the first month of the lunar year, Comrade Guan Guangfu, secretary of the provincial CPC committee, went to conduct investigation and study in the inundated areas of the Fushui Reservoir and some mountainous areas in Tongshan County. Together with responsible comrades of the prefectural, county, and provincial water conservation departments and agricultural banks, he studied measures to help the masses in the reservoir and mountainous areas to be lifted out of poverty and to get rich.

To exploit the mountainous and reservoir areas in an all-round way and to change the poor outlook of the people in the reservoir areas as soon as possible, it is essential to handle several relations correctly and well:

1. It is necessary to eliminate the concept of difficulty and to correctly handle the relationship between poverty and richness. We must see that poverty and richness can interchange. So long as we eliminate leftist influences, further emancipate our minds, implement special policies, and take vigorous measures, poverty can gradually change into richness.

2. It is essential to smash the shackles of a limited area of farmland and to handle well the relationship between a limited area of farmland, large areas of mountains, and large areas of water surface. We cannot develop production only on the limited area of farmland, must widen the field of our vision, and must make full use of the favorable conditions that each person has an average of 6 mu of mountain area and has an average of approximately 2 mu of water surface. We must work out unified plans and must carry out comprehensive

exploitation. We must carry forward the reservoir areas' advantages of having many mountains, good water surfaces, and mild weather. We must avoid their disadvantages of having a large population, a limited area of farmland, and low output of grain. We can grow tangerines and trees on the mountains and forage grass and fodder on low slopes and reservoir areas and breed fish in the water. We must carry out comprehensive exploitation so as to turn all mountains and water in the reservoir areas into valuable assets.

3. We must smash the structure of the simple-product economy, must eliminate the idea of the small-scale peasant economy, and must handle well the relationship between the mere solution of the problem of clothing and food and carrying out relatively large-scale commodity production. To exploit the reservoir areas comprehensively, we must base our work on the development of commodity production and must not be content merely with self-sufficiency in clothing and food.

4. It is imperative to eliminate the concept of relief work and to handle well the relationship between relief work and exploitation. It is necessary to furnish relief to the masses in difficulty. Those who should have relief must continuously receive relief in the future. However, this method cannot open up the road to get rich. We must be determined to issue a certain amount of funds for exploitation in 5 to 7 years. We must mobilize the masses to exploit the reservoir areas on a large area of water surface and on a large scale.

5. We must eliminate the idea that reservoirs are run by a single unit. We must handle well the relationship between the masses and the reservoirs. We must organize the reservoir management departments and the masses around the reservoir areas. Preferably, we must organize combined management and exploitation companies.

Comrade Guan Guangfu pointed out: To invigorate its mountainous and reservoir areas, Tongshan County must develop industry, commerce, communications, transport, township and town enterprises, and cultural, educational, scientific, and technological work, and must engage in tourism.

CSO: 4006/440

## ECONOMIC MANAGEMENT

### WUHAN SUCCESSFULLY PIONEERS ECONOMIC REFORM

HK280457 Beijing CHINA DAILY in English 28 Feb 85 p 1

[By Staff Reporter Chen Guanfeng]

[Text] Ten months after it was authorized to pioneer China's economic reforms, Wuhan, the largest industrial city in central China, is now touting its successes.

The city's industrial and agricultural production in 1984 increased nearly 13 percent from the previous year, the largest increase in 4 years.

Industrial profits last year increased 14.4 percent over the year earlier and production of grain, fish, milk, eggs and poultry in its suburban areas set records.

Without leaving town, Wuhan residents now can buy clothes made in Shanghai, household electrical appliances from Guangzhou, food specialties from Beijing and cooking articles from as far away as Tibet. By the same token, the city's farming and industrial products now are sold in nearly all parts of the country.

"We owe these achievements to our bold experiments in revitalizing our enterprises," said Liu Zeqing, the city's vice mayor, in an interview with CHINA DAILY.

Liu said these economic experiments included giving more power to the enterprises, introducing the responsibility system, which ties bonuses to profits, and linking production more closely to commerce. Wuhan's industries also now cooperate extensively with counterparts in other parts of the country and have also introduced new technology, he said.

Liu said his city's most bold experiment, though, is in management. Managers and factory directors now are selected through public election, advertisements, or examinations. More than 1,700 enterprises in Wuhan have introduced one of these methods for choosing managers, he said.

The city also boasts the first foreign director of a Chinese factory. Werner Gerich, an engineer from the Federal Republic of Germany, was appointed director of one of its diesel engine factories.

"He is rapidly propelling our nearly bankrupt factory into a first-rate producer of diesel engines," Liu said.

"Wuhan now intends to contract out some factories to foreign industrialists," the vice mayor said.

The greatest changes in Wuhan in 1984, however, were in the city's markets, due to an overall reform of its commercial system, he said.

"For the first time in 35 years, our residents can enjoy fresh and bountiful vegetables, fish and pork," he said.

He attributed the agricultural successes to allowing suburban farmers to choose their own crops, fix prices of their products, then sell them on the open market.

Last June, the city decided to open its markets to all domestic businesses and individuals. That decision attracted more than 390 stores from other parts of the country. Meanwhile, Wuhan set up 90 trading centers and 190 storehouses to serve the needs of the entire country.

Some 17 farm produce markets and 10 small industrial produce markets handle wholesale and retail trades for individuals across the country. These markets had an average turnover of 290 million yuan in 8 months.

Traffic and the flow of goods swelled as a result of the economic experiments in this city that straddles the Yangtze River.

To ease this welcome pressure, Wuhan improved its transport system. It opened its port to all ships owned by the state, collectives or individuals. It set up an air transport company in cooperation with an air force unit stationed there and joined 12 other cities in a joint water transport company.

It also helped collectives and enterprises from around the country set up some 340 long-distance bus runs along nearly 110 routes radiating from the city.

CSO: 4020/134

## ECONOMIC MANAGEMENT

### GANSU STEPS UP COOPERATION WITH OTHER PROVINCES

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese No 43, 22 Oct 84 p 6

[Article: "Implement the Two Open Policies, Do a Good Job in Cooperative Work"]

[Text] Under the care of leading comrades of the Party Central Committee, since 1981 Gansu has proposed to "develop vigorously and act flexibly" in economic cooperation, substantiating and strengthening cooperative organs. For over 3 years, Gansu has established long-term and stable cooperative relations with 20 provinces and cities and 5 departments of the central authorities one after another, signed agreements for 275 cooperative projects, imported more than 200 million yuan in domestic and foreign investment, cooperatively imported and exported more than 100 million yuan of goods, all of which have given play to the superior resources in Gansu and promoted its economic development.

To further carry out the two open policies internally and externally, in addition to the 12 preferential policies put forward in the first half of the year we have recently put forward the following open measures.

First, comprehensive cooperation. Under planned guidance all localities, enterprises as well as specialized households and individual households in the province may look for their objects and negotiate on projects. Units and individuals from other provinces are also welcome to set up enterprises and do business in the province. Gansu will provide the convenience.

Second, opening of resources. Fraternal provinces and cities, concerned departments of the Party Central Committee, enterprises and foreign firms, and overseas compatriots are welcome to come to Gansu to make sole or joint investment on mining and setting up factories.

Third, unity of army and people. Encourage military industrial enterprises inside and outside Gansu to link up with and join civil enterprises in Gansu to produce civil commodities.

Fourth, Cooperative management. Stress food industry, processing of Chinese medicinal materials and processing of furs, meat and milk, seek domestic and foreign cooperative management, and provide preferential treatment.

Besides, in order to develop tourism, organize joint tackling of key problems and exchange information, some regulations have been made to promote further development of economic and technical cooperation.

9586

CSO: 4006/113

ECONOMIC MANAGEMENT

BRIEFS

MANAGERIAL EXAMINATIONS--Beijing, 2 Mar (XINHUA)--More than 92 percent of the 24,193 Chinese enterprise managers who sat the second state examinations in January received pass marks, according to the State Economic Commission today. The examinees were directors and managers of state farms and enterprises in industry, commerce, foreign trade, construction, transport, power, and posts and telecommunications. The first examination was held in August 1984, and 94 percent of the 9,019 examinees passed. As part of reforms in the cadre system, the examinations are aimed at encouraging factory leaders to acquire expertise, a commission official said. China plans to complete examinations of all leaders of large and medium-sized enterprises in the next 2 years. [Text] [Beijing XINHUA in English 1646 GMT 2 Mar 85 OW]

CSO: 4020/134

## FINANCE AND BANKING

### GAO YANG VIEWS FINANCIAL, TAXATION WORK

Beijing CAIZHENG [FINANCE] in Chinese No 9, 8 Sep 84 pp 4-5

[Article by Shang Liqiang [1424 0500 1730]: "Determined and Dedicated to Financial Management--An Interview With Comrade Gao Yang, First Secretary of the Hebei Provincial CPC Committee"]

[Text] Comrade Gao Yang, first secretary of the Hebei Provincial CPC Committee, attaches great importance and support to financial and taxation work. Not only is he personally involved in concrete matters but wherever he goes, he dwells on financial and taxation work urging party and government leaders at all levels to join his efforts. In order to conduct extensive propaganda and education on taxation among cadres and the masses, he has personally supervised the compilation and writing of an outline for propaganda on taxation and an introduction to the taxation of rural areas. As the first secretary of a provincial CPC committee, he has numerous tasks to perform. Why does he spend so much energy on financial and taxation work? To answer this, we made a special trip to interview Comrade Gao Yang.

One night in mid-July, Comrade Gao Yang warmly received us in the reception room of his office. This grey-haired first secretary of the provincial CPC committee was full of energy. When he talked, he was incisive, voluble and interesting. He told us that when he first came to work in the Hebei Provincial CPC committee in June 1982, many prefectures, cities and counties in the province suffered financial difficulties. They did not have money for development investment. They did not even have money for urgent matters, causing serious effects on economic and cultural construction. Aside from this, many leaders did not manage money, were not very concerned with financial and taxation work and thus failed to collect a lot of money that should have been collected. Considering this situation abnormal, he brought up the issue of leaders managing money at the standing committee meeting of the provincial CPC committee and instructed HEBEI RIBAO to write editorials and open special columns to discuss this issue. In March 1983, the provincial government held a tax work conference for administrative commissioners, mayors, county heads and directors of tax bureaus. In May, the provincial government issued the "Directive on Strengthening Taxation Work." In order to raise the initiative of leading cadres at all levels for managing money and

directing financial and taxation work, Comrades Gao Yang, in June at a meeting of secretaries of prefectural, city and county CPC committees, emphasized the significance of strengthening financial and taxation work and urged leaders at all levels to include financial and taxation work in important agendas. In July, the provincial government issued the "Decision on Strengthening Financial and Taxation Work." Through a series of work, the initiative of leaders at all levels was higher and more people were concerned with financial and taxation work. In 1983, more than 500 administrative commissioners, mayors, secretaries of county CPC committees and county heads in Hebei Province were personally involved in the propaganda of financial and tax policies; many secretaries of prefectural and county CPC committees and administrative commissioners worked closely with financial and tax departments to help them solve actual problems; and leading comrades of some counties even went to grassroots units with their cadres to attend to revenue work in person. In 1983, the revenue of Hebei Province increased 13.6 percent over 1982, ending a 3-year stagnant period in revenue. Tax revenue from scattered sources totalled 150 million yuan, an increase of more than 2-fold over 1982 and an all time high.

Comrade Gao Yang said with deep emotion: "We cannot carry out the four modernizations without money. We will have a difficult time and will not be able to do a lot of things if we do not pay attention to financial and taxation work. To make every leader manage money and pay attention to financial and taxation work, we must mobilize them and solve their ideological problems."

Which link are we supposed to pay attention to in financial and taxation work? Comrade Gao Yang said: "The key to financial and taxation work lies in the development of production. Only when production is up can there be a steady flow of revenues. However, if production is up but financial and taxation work is behind, there will be no money either. As 90 percent of current revenue comes from taxes, we should first pay attention to taxes in financial and taxation work. Instead of discussing taxes as they stand, paying attention to taxes means that we should mainly solve problems in guiding ideology. It is impossible for us to pay attention to every detail. We can only work on policies and principles, but we should supervise the assignment of leading bodies and personnel which we already did last year. We are planning to expand tax forces by hiring and training 3,000 to 4,000 high school graduates. It is worth doing if a county can gain several hundred thousand yuan of revenue by hiring an additional 50 people at the expense of 50,000 yuan a year--1,000 yuan per person."

Hearing this, we had great respect for the boldness and depth of his vision. In 1983, according to the demands of Comrade Gao Yang, Hebei Province added 3,000 tax cadres, readjusted and strengthened the leading bodies of 18 prefectural and city tax bureaus and 126 county tax bureaus and recruited some cadres, who have taxation knowledge and work enthusiasm, to join the leading work of tax departments at all levels. At the same

time, the province also added 15 tax sub-bureaus, 447 tax offices, 520 collecting agencies and more than 16,000 collection agents.

"It is very difficult to carry out taxation work these days." Comrade Gao Yang continued his subject: "Especially in rural areas, everybody is for tax reduction and exemption and easing the burden, but nobody likes tax collection. Some tax collectors get scolded and some beaten. Some commune secretaries publicly compare taxation to 'silver collection' in the opera 'Da Yu Sha Jia.' Even some leaders at the county level also say so. As I said, it is necessary to overcome the one-sided view of 'benevolent policy' and strengthen taxation work. As soon as I brought up this issue in the newspaper, some people wrote me to dress me down. They said I exercise 'tyranny' instead of implementing benevolent policy in taxation." After he said this, Comrade Gao Yang could not help laughing. "Our current problem is not heavy taxes but serious tax evasion. We must understand this; otherwise, we will put the cart before the horse."

Comrade Gao Yang's demand on overcoming the one-sided view of "benevolent policy" is not accidental. In May 1984, Comrade Gao Yang went to the rural areas of five counties in Baoding Prefecture including Lixian and Fuping to conduct investigation. Over there, he saw the heartening phenomena that industries run by townships, towns and villages and handicraft industries run by households developed rapidly and the income of specialized households increased substantially. At the same time, he also discovered that peasants who had prospered were not willing to pay more taxes, some cadres made unwarranted charges against tax collectors. Tax collectors felt uncertain and discouraged when they collected taxes, resulting in a great loss of tax money and causing counties great financial difficulty. In one county, the output value of township enterprises in 1983 increased 10-fold over 1978, but tax revenue from these enterprises increased only 17.4 percent. This county's revenue still needs to be subsidized by the province. The people should become prosperous, and so should the state. Comrade Gao Yang emphasized the need to overcome the one-sided view of "benevolent policy" and strengthen taxation work at a meeting of secretaries of county CPC committees convened by the Baoding Prefectural CPC Committee. After he returned to the provincial CPC committee, he stressed this issue again during a briefing conducted by the leaders of the provincial financial office and tax bureau. During the briefing, after he learned that the provincial tax bureau was planning to hold a meeting of the directors of prefectural and city tax bureaus, he apologized for not being able to attend because he was going to Tianjin to attend a meeting of the North and Northeast China Group of the Central Advisory Commission. He also instructed the leaders of the provincial financial office and tax bureau to relay the spirit of his speech to everybody. Participants at the briefing were greatly inspired by the speech of the first secretary of the provincial CPC committee. Some comrades were moved to tears. The speech evoked strong reaction after it was published by newspapers.

Half an hour slipped by during the conversations. In conclusion, we asked Comrade Gao Yang to tell us why he had to personally supervise the compilation and writing of the outline for the propaganda of taxation and the introduction to the taxation of rural areas. He told us frankly: "At present, not only do the masses have questions about tax payment but quite a few cadres are also skeptical about the taxes levied on individual and cooperative businesses. To allow everybody to have a clear understanding of taxation work, it is imperative to carry out extensive propaganda and education in taxation. But nobody likes to read our materials because of our stereotyped writing, empty verbiage and polite formulas. Therefore, when writing these two propaganda materials, we try to use simple language, use as little jargon as possible and avoid languages used in official documents to let everybody understand the principles of taxation. After the principles are clearly explained, it will be much easier to carry out the work."

Yes, not only is Comrade Gao Yang opposed to an outmoded writing style but he also practices what he advocates by not pursuing mere formalities. The "Selections of Economic Articles in Hebei Province," which was compiled under his personal supervision, is very easy to read and understand. It discusses things as they stand, combines theory with practice and is well received by readers. The two propaganda materials--the outline for the propaganda of taxation and the introduction to the taxation of rural areas--are written and revised under the personal supervision of Comrade Gao Yang. Although they are not yet completed, we can expect that their publication certainly will raise people's understanding of taxation and bring about further development in taxation work.

12302

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## FINANCE AND BANKING

### MEASURES TO RESTORE SECURED LOANS DISCUSSED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO in Chinese No 5 Oct 84 pp 53-54, 72

[Text] The formation and development of any kind of credit relationship must be accompanied by certain economic conditions. Since the 3d Plenary Session of the 11th CPC Central Committee, in order to invigorate the economy and market, the state has promulgated a series of new economic policies encouraging unemployed people in urban areas to find jobs on their own and engage in individual businesses. To suit the needs of this economic reform, banks began in a timely manner to extend credit to self-employed laborers in urban areas to offer them financial support and professional guidance, thereby accelerating the development of the individual economy. However, with the individual economy developing so fast, stipulations in the original procedures for individual industrial and commercial loans such as the proportion between the loan and the borrower's own funds, the limit of the amount and the type of single credit guarantee have become unsuitable for the needs of the individual economic development. These stipulations often prevent individual businesses from getting the funds they need, causing the contradiction that banks have funds but consumers cannot borrow them. This article is going to discuss some humble opinions on the meaning of starting to issue secured loans now and questions that need to be discussed. Please make corrections if you are in the same field or if you are an expert in this matter.

1. Financial circles are not unfamiliar with secured loans. In the development history of the banking industry, secured loans once existed as a type of leading and borrowing activity. This type of credit is borrowers using certain pledges (pearls, jewels, jade ware, personal ornaments, negotiable securities, machinery, equipment, private houses and high-grade furniture and appliances) as material guarantees to get loans from banks. The borrower must return the loan and interest when the loan is due. If he fails to do so after the due date, the bank has the right to dispose of his pledges as compensation for the loan. To restore the traditional practice of secured loans, it is necessary to combine theory and practice and achieve a correct understanding of the differences between secured and unsecured loans.

First of all, it is necessary to correctly understand the differences between the credit types of secured and unsecured loans. Unsecured loans are extended on the basis of a lending and borrowing relationship established between the borrower and the bank on the basis of the borrower's reliable reputation and close economic ties with the bank; whereas secured loans are extended on the basis of a credit relationship established between the borrower and the bank on condition that the borrower offers the bank valuable pledges that are easy to be disposed of. Secured loans are, in essence, mortgage loans. In other words, credit can be established only when the borrower and the bank offer equal values to each other.

Second, the orientation and the amount of secured and unsecured loans are different. Unsecured loans are large amounts of loans available generally for collective units, and the amount is determined by enterprises' production and sales plans and their management situations. Secured loans are oriented to self-employed laborers, and the amount is determined mainly by the value of pledges in addition to the consideration of market needs and borrowers' management ability.

Third, these two types of loans play different roles as economic means. Unsecured loans mainly play the role of economic means to spur enterprises to fulfill state plans. Secured loans play the role to spur the individual economy to supplement state-run and collective economies.

2. Under the new situation of invigorating the economy and developing diversified economic factors, restoring and popularizing the service of secured loans by using its original economic functions and giving it new contents is feasible and conducive to supporting the development of the individual economy.

First, it can help more individual industrial and commercial units expand production and management under the credit support and professional guidance of state banks. Generally speaking, fund shortage is a relatively prominent problem for self-employed laborers in their economic activities. They urgently need to borrow money. By starting the service of secured loans, banks can provide funds needed by self-employed laborers on a larger scale and in a larger range. They do not have to be restricted by the proportion between loans and borrowers' own funds or by the limit on the amount of loans. This can also open up a new field for banks to expand their credit relationship.

Second, it is conducive to channeling credit into state banks and restricting usurious activities. In the past few years, the phenomenon of self-employed laborers borrowing from private sources for their businesses has been fairly widespread. A few people have reaped staggering profits by making usurious loans to individual industrial and commercial units. Starting the service of secured loans can help general individual businesses establish closer economic ties with banks and get funds from rational and economic sources. It can also help state banks maintain effective control and regulation of the money market.

Third, it can help encourage unemployed youth in urban areas to find jobs on their own. In the past few years, the family living standards of urban residents have improved substantially and purchasing high-grade household appliances has become quite common. However, funds that a family can provide for its children to start their own businesses are extremely limited. Starting the service of secured loans allow unemployed youth to mortgage the high-grade consumer goods at their home to get loans from banks.

3. In sum, starting the service of secured loans is a good thing that will benefit both the state and the people. In order to bring into real play the active role of this type of loan, we deem it necessary to make further efforts to study and solve the following questions in practice:

- a. The authentication of pledges and the appraisal of their true value. Although secured loans are a traditional service of banks, banks lack experience in it because after the founding of the PRC, they offered such service only for a short period of time in the 1950's and most current clerks in charge of credit have never dealt with it. If we want to start this service now, we still have difficulties in the authentication of pledges and the appraisal of their true value. Mistakes in such work could affect the compensation for credit funds. Therefore, when appraising highly technical pledges, banks should seek guidance from the departments concerned to facilitate the smooth expansion of this service.
- b. Determining the amount of loans, keeping pledges and examining the utilization of loans. In addition to borrowers' needs in production and business and the true value of pledges, the amount of loans is determined by whomever keeps the pledges (the bank or the borrower). We think that if banks keep the pledges, the amount of loans secured by valuable goods such as gold and silver ornaments should be fixed at 80 to 90 percent of the true value of the pledges, and the amount of loans secured by negotiable securities should not exceed the denominations of the securities. If borrowers keep the pledges, the amount of loans should not exceed 60 to 70 percent of the true value of the pledges. This ensures that the pledges are enough to compensate the loans when borrowers are unable to pay back the loans by the due date. Furthermore, banks should not ignore the need to examine the utilization of loans just because there are material guarantees for the loans. They should help borrowers use loans effectively and achieve good results. They should also supervise those borrowers who keep the pledges for banks in maintaining the value of the pledges.
- c. The question of whether gold, silver and treasury bonds can be used as pledges. Considering the fact that banks function on behalf of the state to exercise unified control over managing, buying and selling gold and silver and issuing and cashing treasury bonds, we think that it is also feasible to consider gold, silver and treasury bonds as pledges for loans. The reasons: 1) China's rules and regulations for gold and silver control stipulate that gold and silver are not allowed to be

circulated and traded without permission. When gold and silver are used as pledges, they should be kept by banks. Because they are not in the field of circulation, this practice does not violate concerned regulations. If borrowers fail to repay their loans, banks have the right to consider that they have purchased the pledges. 2) Using treasury bonds as pledges for loans is restricted by the purpose and amount of loans. Loans acquired on the pledge of treasury bonds are not allowed to be used for personal consumption and such loans do not affect the overall balance of the national economy because they are still under the control of the overall credit plan. Besides, the amount of loans is fixed to be less than 50 percent of the denominations of the pledged treasury bonds so as to prevent some people from developing a tendency toward profiteering and speculation and using this type of loan to change treasury bonds into purchasing power. In sum, with strict systems and effective measures, treasury bonds can also be used as pledges.

d. The question of fixing differential interest rates for secured loans. The interest rates of secured loans should be determined on the prerequisite of benefiting economic development. Consideration should be given to the interests of both borrowers and the banking industry. At the same time, it is necessary to use interest rates as economic levers to accelerate the rational development of the individual economy and supplement the market. Judged by the development of individual businesses in the past few years, it is imperative to adopt differential interest rates. According to the surveys and statistics compiled at the end of 1983, individual commercial units accounted for 52.3 percent of the commercial units in Shanxi Province whereas in catering, service and repairing industries which are more related to the daily life of the masses, individual units accounted respectively for 14, 7 and 8 percent. Because of this, we suggest that interest rates vary according to different industries, different types of pledges and different natures of pledges. In principle, lending rates for commodity marketing businesses should be higher than that of small handicraft, catering, service and repairing industries; lending rates should be higher if pledges are kept by borrowers instead of banks; lending rates for individual businesses run by educated youth should be lower than that for individual businesses run by other people; and lending rate should be higher if loans are secured by treasury bonds instead of other kinds of pledges.

e. The insurance of pledges. In order to guarantee the security of secured loans, pledges kept by borrowers should be insured for the amount of their true value. This can provide immediate reimbursement for loans and reduce losses for borrowers in the case of accidental damage of the pledges.

f. Perfecting loan procedures and proper disposition of pledges. Because secured loans are more complicated than general unsecured loans, concrete regulations and procedures for secured loans should be stricter than those for unsecured loans. Valuable pledges kept by banks must be registered at

credit, accounting and cashier's departments and procedures for transferring, receiving and returning should be complete. When borrowers fail to repay the loans and banks need to dispose of the pledges, banks should not only consider the reimbursement for the loans but also handle their economic relationship with borrowers correctly. They should make every effort to be reasonable so as to make both sides happy.

12303

CSO: 4006/109

FINANCE AND BANKING

BRIEFS

SHANDONG LOAN BUSINESS INCREASE--In 1984, Shandong Province made marked progress in granting loans and receiving deposits among industrial and commercial enterprises. According to statistics compiled at the end of 1984, the gross total of various deposits reached 6.01 billion yuan, a 36 percent increase over the 1983 figure. Per worker deposits reached 600 yuan. The gross volume of various loans reached 13.55 billion yuan, realizing 32 billion yuan of output value and accounting for 70 percent of the provincial total 1984 industrial output value. [Excerpts] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 Feb 85 SK]

SHANDONG WORKER INCOME INCREASE--According to simple investigation data compiled by the six cities, including Jinan and Qingdao, the per capita income of urban staff members and workers in 1984 reached 653.35 yuan, a 107.6 yuan and 19.6 percent increase over the 1983 figure. [Excerpt] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 Feb 85 SK]

GUANGXI RURAL SAVINGS DEPOSITS--Rural savings deposits in Guangxi region at the end of last year exceeded 1 billion yuan for the first time. Rural savings deposits in the region at the end of January this year reached 1,108.13 million yuan, an increase of 387.34 million yuan over January last year. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 28 Feb 85 HK]

HUNAN TRUST COMPANY--A new economic entity, the Hunan Provincial Trust and Investment Company, was established in Changsha on 26 February. [Changsha Hunan Provincial Service in Mandarin 0000 GMT 27 Feb 85 HK]

CSO: 4006/423

## INDUSTRY

### BRIGHT FUTURE SEEN FOR CHINA'S AUTO INDUSTRY

Beijing LIAOWANG ZHOUBAO [OUTLOOK WEEKLY] in Chinese No 46, 12 Nov 84 pp 9-10

[Article by Li Anding [2621 1344 1353]: "The Golden Age of China's Automobile Industry Is at Hand"]

[Text] In 1885, Daimler, a German, installed a gasoline engine he made himself on a carriage and took the first step, at 18 kilometers per hour, in the world's automobile history. Ninety-nine years have elapsed since, and the world's automobile industry has grown by leaps and bounds and become a great international business.

Recently at a meeting with (Harold McDonald), former vice president of the Ford Motor Company of America, State Councillor Zhang Jingfu clearly pointed out that the development of China's automobile industry will be faster than the original estimate, and that we look forward to cooperation with automakers worldwide. A golden age of great development of China's automobile industry is at hand.

#### Approaching Knocks on the Door

The arrival of a golden age of the auto industry is the result of a country's technical and economic development to a certain level. According to analyses of conditions in more than 20 automobile-producing countries, when per capita gross annual output value reaches US\$500, the growth rate of the demands for motor vehicles will turn from a slow-rising straight line into a sharp-rising curve. The auto industry will then break through from its early stage of development into a golden period of rapid growth. Based on the historical data of various provinces and cities, it is estimated that the number of motor vehicles in our country will increase sharply from the present 2 million to about 13 million by the year 2000. The 30 years beginning from now will be the golden age of China's auto industry.

Premier Zhao Ziyang recently pointed out: The auto industry will grow rapidly. It is the inevitable trend and may well become a major component of China's future economic development. Indeed, the auto industry's role in economic development must not be underestimated, even though we need not follow the foreign saying that the auto industry is one of the four pillars of the national economy. At present, the American auto industry directly or

indirectly employs one sixth of all the country's workers, and the figure is one fourth in the Federal Republic of Germany. The auto industry promotes the development of such basic industrial products as steel, rubber, aluminum, plastics, glass and petroleum. It also provides the strategic products which play a major role in national defense and on which the country's transportation relies. In many countries, the auto industry accounts for a considerable portion of government tax revenues and is an important factor in the balance of international payments.

It is interesting to note that in the fierce global competition among auto manufacturers, capital and technological infiltration and merging are very common even between such rivals as the United States and Japan. With the growing internationalization of auto production, China's auto industry, with its existing industrial foundation, vast market and tremendous potential for reduced costs, is attracting more and more well-known auto manufacturers from other parts of the world. They not only expect China to provide parts and accessories, but even hope that China will make engines to be sold abroad. The arrival of the golden age for China's auto industry inevitably will produce a profound influence to the economy of China as well as the world. This is perhaps beyond our early expectations.

#### Reform Is the Great Driving Force

Here we should remind people to pay attention to the changes today in the domestic auto market. At the beginning of the year, the annual auto production plan was set by the state at 240,000 units. But, owing to sharp and continuous increases in demands for motor vehicles by various departments and especially the peasants, the plan has been readjusted twice to increase output, and it is estimated that production of motor vehicles will break the 300,000 level for the first time this year. Even so, the supply of motor vehicles still falls short of demand, and the country has to import about 100,000 units from abroad. The sudden and sharp increase in domestic demands for motor vehicles has completely changed the outlook of the auto industry, which 2 years ago had a serious marketing problem but is now a scene of prosperity. This too is beyond people's expectations. Li Gang [2621 0474], president of the China Auto Industry Corporation, thinks that this is the inevitable result of implementing the Party Central Committee's reform policy, because reform has liberated the productive forces.

This is not just an oft-repeated saying. It contains a profound lesson learned through experience. In the past, because of restrictions by the irrational system, there was not contact between production and demand, and all depended on the subjective arrangements made by some "mothers-in-law." It was not long ago when gas shortage and lack of goods were used as the two main reasons to limit auto production. It could hardly be imagined then that with the implementation of the contract system for the use of fuel plus the improvements in auto fuel-saving measures that took place in the last few years, it is now estimated that by the end of the century our petroleum production can fully meet the fuel needs of 1 million motor vehicles. And after the peasants joined the competition in transportation, the state, the collectives and individuals are all engaged in the transportation business, trying in

every possible way to open up new markets, and the supply of goods is getting more and more plentiful.

Especially worth mentioning is the fact that the superiority of motor transportation is being increasingly understood by the people. The ability of motor vehicles to provide "door-to-door" direct transport services has made them superior in two ways: One is their "time benefit." The shorter waiting periods of motor transport in comparison with railway and water transport speeds up capital turnover for owners of goods and reduces their interest payments, thus turning time into money. The other is the "benefit in transport quality." Motor vehicles need only to be "loaded and unloaded once," which simplifies packing, reduces losses of goods and brings no small benefit to owners. Moreover, the higher demands of people for working efficiency and information transmission frequency also increase their needs for motor vehicles, and the production of sedans is placed on the agenda. The changes in the transport structure and the construction of expressways have brought the pressing need for large numbers of heavy-duty trucks. In short, the restructuring of rural and urban economic systems has pushed the auto industry into a new period of development.

#### Higher Starting Point and Faster Pace

On a bright morning after a heavy rain in mid-August, Premier Zhao Ziyang presided over a meeting in Beidaihe to specifically discuss the development trend of China's auto industry. It was decided that the starting point of the development of the auto industry should be set high and that the pace of development should be fast. The concrete measures: to organize specialized mass production and to import some loose parts to be assembled at home. At present, it is necessary to produce more high-quality and low-cost transport vehicles, motor vehicles for agricultural purposes and taxicabs to ease the contradiction between supply and demand, check blind production and meet market demands. In view of the conditions of our country, high-cost luxury sedans will not be developed in the near future. Instead, great efforts should be made to develop good-quality, low-cost economic cars of medium and lower grades.

In regard to old enterprises such as the Changchun No one Auto Plant, the emphasis is to be placed on technical transformation and reconstruction and extension during the Seventh 5-Year Plan and the early period of the Eighth 5-Year Plan, and construction of new facilities should be limited to the minimum. In short, the old enterprises should use the method of "adding water to the flour and adding flour to the water" to constantly renovate and strive not only for higher output but for higher standards.

An "enthusiasm to develop the auto industry in a big way" appeared twice in 1958 and 1973, when "small but complete" plants were set up with great vigor in all parts of the country. The historical lessons are worth remembering. Therefore, in the current new development of the auto industry, the emphasis should be placed on the large, key enterprises and efforts should be made to promote integration. In a country so big as ours, it is obviously not easy to organize a great nationwide cooperation. If we carry out regional integration

centered on large cities and with the key enterprises as the mainstay, we will be able to form several big auto companies in the country, for example, a "No one Auto Company" in the north, a "No two Auto Company" in the south, enterprises along the coast, and third-line factories, each representing the integration of a large area. The country's auto industry will compete in the process of integration and develop through competition.

#### It Is an Opportunity and a Challenge

At present, the world's auto industry is constantly achieving higher technological standards, and products are quickly replaced and upgraded. This is both an opportunity and a challenge to China's auto industry. We must foster the idea of international competition and accept the challenge.

It is learned that China's auto trade has already drawn up a development principle for speeding up product upgrading and raising technological standards. Before 1990, it will mainly rely on importing advanced technology from other countries to establish five basic model series, including heavy-duty vehicles, medium-sized vehicles, light-duty vehicles, minicars, jeeps and sedans, which should be of world standards of the 1980's. On this basis, efforts will be made to double output and increase annual auto production capacity to 600,000, some of which will be sold in international markets. Before the year 2000, we should research and develop our own major types of motor vehicles and turn out new products of up to world standards of the 1990's. If the first generation of the Jiefang brand motor vehicles, which have been running on our highways for nearly 30 years, can only be regarded as products of the 1940's, then one can see how difficult it will be to achieve the above-mentioned goals. But they embody the high aspirations and confidence of China's auto industry to catch up with and surpass advanced world levels.

In fact, China's auto industry is already making solid progress. The auto industry is the first among our industrial enterprises, which have transformed themselves from production-type into production-management-type enterprises, to purpose to further develop from the production-management type into the development type. What is meant by the development type? It means to be filled with determination to develop and to have a strong consciousness of international competition. In other words, the industry must have the courage to break through the status quo, keep developing one generation of new products after another and plunge itself into international competition. In this kind of enterprises, the product development organizations will be the heart that drives all other departments into motion. In Changchun, Jilin; Shiyuan, Hubei; Nanjing, Jiangsu; Beijing; Tianjin; Shanghai; Jinan, Shandong; and Dazhou, Sichuan; a number of products of a new generation are being trial-produced, finalized and put into mass production.

In more than 30 years, China's auto industry has never been so full of vigor and vitality and so filled with hope as it is today. It is greeting the arrival of the golden age with robust spirits.

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CSO: 4006/170

## CONSTRUCTION

### BEIJING CPC SECRETARY INSPECTS CONSTRUCTION SITES

HK270732 Beijing City Service in Mandarin 1000 GMT 16 Feb 85

[Excerpts] While inspecting urban construction sites, Li Ximing, secretary of the municipal CPC committee, pointed out that the mass line is very important in carrying out the reform of the economic structure. As the masses have many good ideas and methods, it is necessary to believe in and rely on them and hold discussions with them when problems arise. If the masses are mobilized, then all problems can be solved easily.

On 14 February Comrade Li Ximing inspected the sites of the (Chengzi) waterworks, (Tiancunshan) waterworks, (Jimen) bridge, and (Mading) bridge. The four are priority projects for the city's basic facilities. Their completion will help to improve traffic conditions and ease the water supply shortage in the capital.

Comrade Li Ximing seriously inspected the key parts of the projects and was briefed on the scale, progress and the existing problems of the projects, as well as problems concerning the daily life of the staff and workers. He seriously listened to reports by cadres at the sites concerning planning, demands, and progress of the reform.

Comrade Li Ximing said that much work has to be done to enliven enterprises. If we cannot see clearly some problems at one time, we can carry out a pilot project. It is necessary to adhere to the mass line.

After learning about the distribution of wages and bonuses of the staff and workers, Comrade Li Ximing said: We carried out the practice of eating from the same big pot for decades, the result was that people have become more and more lazy and foolish. It is very dangerous to continue this practice. This problem must be properly solved in the process of reform.

During the inspection, Comrade Li Ximing extended regards to the staff and workers engaged in urban construction and demanded that the projects be completed as scheduled and their quality be guaranteed.

CSO: 4006/423

## CONSTRUCTION

### XIAN IMPROVES INFRASTRUCTURE, APPEARANCE

OW280839 Beijing XINHUA in English 0636 GMT 28 Feb 85

[Text] Xian, 28 Feb (XINHUA)--The ancient city of Xian, capital of northwest China's Shaanxi Province, plans to widen its major streets, increase water and gas supply and build other infrastructure projects to give a smarter appearance to this tourist mecca, municipal officials said here today. The officials acknowledged that these are only the first steps to solving the city's major problems. They point out five headaches for the residents in their daily lives--crowded buses, congested roads, housing and water shortages and inadequate telephone services.

Xian was the capital of 11 dynasties, and the wealth of historical relics in the city attracts flocks of Chinese and foreign visitors.

To alleviate the transportation strains, express buses have been available since January to move passengers across the city directly, while projects to broaden the major streets are underway and new overpasses and sidewalks are on the drawing board. A major water project now under construction is expected to add 50,000 tons of water daily from this summer. Gas users will grow from the present 10,000 households to 56,000 following completion of the second-stage construction of a liquefied gas works. Xian will start construction of housing with a total floor space of 1 million square meters soon.

The city also plans to import telecommunications facilities to double its capacity by adding 13,000 program-controlled telephones.

CSO: 4020/132

## FOREIGN TRADE AND INVESTMENT

### SMS CHIEF WEISS RECOUNTS BACKGROUND, SUCCESS OF PRC VENTURE

Hamburg DIE ZEIT in German 8 Feb 85 p 23

[Article by Heinz Michaels: "A Very Normal Business Deal"--Heinrich Weiss on His Experiences in the Far East]

[Text] Heinrich Weiss has only praise for the 70 Chinese engineers who have been working for several months in the design offices of the SMS Schloemann-Siemag AG: "I have a positive impression. They are intelligent, qualified, keen and eager for knowledge--the way it is when one wants to penetrate a new technology." The Chinese are still "hungry", compared to some of their German colleagues who were saturated long ago. "It's like Japan 50 years ago."

The head of SMS had already been impressed by the eagerness of the Chinese during negotiations. The Chinese delegations are always overly large, the discussions always delve into many details, there are always innumerable questions. "The Chinese try to learn as much as possible even during the negotiations."

The fact that Chinese engineers in the FRG are cooperating in the development of a hot-rolling mill for Baoshan near Shanghai--and are acquiring the know-how for their industry--is the result of a licensing and cooperation agreement which Heinrich Weiss signed in Beijing in the spring of last year.

"The agreement is set up for the long term," says the steel mill builder. "And it not only serves cooperation in the workshops, but also in the design offices. It ensures technology transfer for the Chinese, and business opportunities in China for us for a long time to come."

Agreement in his pocket, Weiss, together with his cooperation partner, the Chinese Ministry of the Machine-Building Industry, then applied to the Ministry of Metallurgical Industry for the contract for the Baoshan hot-rolling mill which originally was to be built by the Japanese, and obtained the order. The Japanese had realized too late that Chinese economic policy had changed, that today partnerships and technology transfer are in greater demand than simple imports.

In 1980, in the first SMS order for Baoshan, a cold-rolling mill, the Duesseldorf enterprise could still limit itself to guarantee delivery of

"parts and machines of simple and medium technology"--according to the firm's statement--to the Chinese. Of the DM 1.3 billion estimated for the mill at that time, DM 300 million are to remain in China.

"The development is breathtaking." When Heinrich Weiss speaks of China, he speaks with a warm heart and a cool head. He admires the change which Deng Xiaoping, China's strong man, has dared to undertake; he admires how quickly the population has accepted the new ideas, just as if market economy thinking ran in their blood; and he calculates quite soberly that China is one of the few countries in the world where steel mill builders still have a chance, since in the 90's, 60 million tons of steel are to be produced there annually, almost twice as much as today.

Yet in the 60's, Weiss wanted nothing to do with business deals with communist states and also tried to dissuade his father. "Today, I think differently about it." These days, he courts China as arduously as he does the Soviet Union, formerly the largest SMS customer, at present the second largest. Today he believes in the theory of international convergence, the theory of the rapprochement of systems.

This did not stop him, however, from assuming the chairmanship of the CDU economic council, which can hardly be suspected of such tendencies. His reason for this step: he considers the political commitment of entrepreneurs as absolutely necessary. And despite convergence thinking, he happily expresses the hope that in future, market economy may prevail more in the FRG.

Heinrich Weiss was not only born with a silver spoon in his mouth, the China tradition was also the inheritance in his cradle: Siemag, founded by his great-grandfather over a century ago, signed its first China contract as early as 1904 for building a blooming mill in Hanyang.

When the birth of Heinrich Weiss in the war year 1942 was recorded at a Berlin registry office, the connection to China had already been broken a second time (the first interruption was due to the First World War). Contact was resumed only in 1966, while Heinrich Weiss was attending the Technical Institute in Munich and his father was managing the firm. Again it concerned a rolling mill, which meanwhile had become a specialty of the firm, a cold rolling mill which Siemag was to build jointly with Demag in Wuhan. But the Cultural Revolution soon caused new confusion, and it was only in 1974 that the agreement was concluded (the mill finally started up 4 years later).

At that time, the tall, slender and amiable manager was the "youngster" of Rhine and Ruhr; at 32 years of age, he was the youngest chairman of the board and, as rumor has it, the most sought-after bachelor of Duesseldorf. A year earlier he had merged the family enterprise, which he had taken over from his father, with the Mannesmann subsidiary company of Schloemann and had shown considerable negotiating talent in the process. Each of the two partners holds 50 percent of the shares; in case of a stalemate situation, the chairman of the board decides, i.e., Heinrich Weiss.

At that time, in 1974, Heinrich Weiss visited for the first time the vast

country in the Far East and got to know it as a market of the future. At that time, also, China's opening up to the West appeared on the horizon. Minister President Chou En-Lai, now deceased, proclaimed the "Great Leap Forward", through which China was to become a normally industrialized country by the year 2000.

In December 1984, Deng Xiaoping described the main features of the new Chinese economic policy to Federal Chancellor Helmut Kohl and a group of German entrepreneurs. Naturally, Heinrich Weiss was part of the group. Deng recounted how the idea had come to him--on a visit to Japan, in conversation with then Prime Minister Ohira. Deng's economic policy in many ways follows the Japanese model, such as transfer of technology through licensing and cooperation agreements. But the difference also became clear. Deng pictures an economy with market economy elements "under the aegis of socialism." This also makes clear the significance of the much-discussed lead article in RENMIN RIBAO, the Beijing PEOPLE'S PAPER, which stated that Marx and Engels were right at the time, but that new ideas were also needed for solving the problems of our time.

Of course, this immediately raises the question whether China, like Japan, will soon become a competitor of its industrial teachers. Weiss says: "No, I don't think so. Japan was forced into its export offensive because the domestic market is small and the country possesses not raw materials. China has an enormous domestic market and rich raw material deposits. That is like the United States or the Soviet Union." For this reason it is Deng's objective to pay for Western technology with domestic raw materials.

Last October, the Communist Party of China took the--provisionally-final step toward liberalizing the economy along Deng's lines. In its decisions, the party abandoned the fixed price system, admitted private markets, encouraged private initiative in the small trade and service sectors, and granted factories greater self-determination over production, profits, raising of capital as well as wage and personnel policies. Thus the party sanctioned a system which had developed step by step since 1978.

Heinrich Weiss was able to study close up the development of the new economic policy in the case of Baoshan. He noticed that the Chinese first try out every step on a small scale, like a laboratory experiment. Deng does not want to experience a fiasco like Mao Zed Dong with his "Great Leap Forward" at the beginning of the 60's.

Already in 1980, Machine Factory 1 in Shanghai was such a laboratory. "We have two economic systems today," the plant manager explained to the German. "A planned economy and a market economy. We can freely produce and sell part of our production." Since then, the clever manager supplies his forgings directly to Schloemann-Siemag in Germany.

With the party's blessing, production in the primary and heavy industry is now officially divided: 80 percent for the plan, and 20 percent for the market. Whatever is produced additionally can also be sold freely. The enterprise itself can dispose of the profit and foreign currency resulting therefrom.

Most striking, however, was the change in agriculture, which still employs 80 percent of the population. Production has increased ever since farmers were able to lease from their commune a piece of land for their own cultivation, to have their own vegetable gardens, and to raise pigs and chickens.

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CSO: 3620/279

## FOREIGN TRADE AND INVESTMENT

### HUNGARIAN COMMENTS ON CHINESE REFORM

#### Preliminary Discussions, Economic Zones

Budapest MAGYARORSZAG in Hungarian 14 Oct 84 p 5

[Article by Ferenc Sarkadi Kovacs: "Distribution of Report Cards"]

[Text] The camera was looking toward the Gate of Heaven. Hundreds of thousands waited in mute silence on the square before the gate. Suddenly the gate opened and a black limousine with the Hung Chi (Red Flag) mark appeared, with Deng Xiaoping, this time as commander-in-chief of the army. It was as if the ramp of the marble bridge before the gate were about to launch the solitary traveler, then the limousine rolled down the slope on the other side. Deng Xiaoping went 2 kilometers along the "Eternal Peace" avenue which crosses Tiananmen square. He greeted the soldiers who, after a few minutes, marched before Deng's eyes, already returned to the gate terrace. Armed soldiers, tanks and--for the first time--intercontinental rockets. "For the first time" is natural, for the last military display in Beijing was in 1959. The parades ended in the years following that, citing reasons of thrift. A double blow hit China at that time--the senseless waste of the economic "great leap", the voluntarism which paralysed agricultural production, and natural disasters as well. The country was on the verge of starvation. (The Chinese statistical office recently made public that at that time 10 million people died due to natural catastrophes and "factors produced by man.")

#### The "Spirit of Denial"

For a good 10 years the internal Chinese power struggles had put civilian parades on the black list. The preparations had been cancelled in 1971 because of the Lin Biao case. Now, after nearly one and a half decades, the China returning from Calvary showed signs of its regained self-confidence and production strength. Models and men depicting the China of today were paraded on stages drawn on wheels, pictures of a moving exhibition in encyclopedic completeness. On one stage were model families with a single child (family planning), on another agricultural products (the agricultural policy giving room for material incentive), on a third a gigantic refrigerator with open door, full of food (rising standard of living, purchasing enthusiasm, a good supply of goods). Leading Chinese sports figures (China's Olympic successes), model artificial satellites, computers (China is trying to overtake the front rank in peak

technology also), a model of the "civilized street" (human coexistence under ordered circumstances). And so forth.

This was a testimonial to almost 6 years stamped with the name of Deng Xiaoping, a birthday present to the politician completing the 80th year of his life. Deng was present in everything even without it having to be underlined with additional devices. He viewed the parade and gave his brief speech from the same place which Mao Zedong had proclaimed the people's republic in 1949. But a "spirit of denial" was embodied in the mass demonstration; on this occasion the portrait of not a single living leader was raised on high.

A party decision forbids the exaltation of living politicians, too, but in a volume published last year Deng Xiaoping himself urges modesty: "Cadres at the highest level must give an example in the development of the best traditions of the party, in illustration of the principle that the road of moral teaching is long and that of providing an example is short." But they have transferred into the present from the ancient past not only the Confucian requirements made of the "wise leader." They have also salvaged, for example, the faith in the strength of numbers, the slogans supported by numbers, the shortest path for sending a political message. If we look only at the 35th year of the existence of the people's republic, now being celebrated, there were in these three and half decades the struggle against the "three evils," then against the "five evils," and a number of other campaigns and movements. A slogan which promised "ten thousand years of happiness is exchanged for 3 years of hard work." (Some do not rule out that the "four modernizations" are "four" and not "five" or "three" by chance, since a Chinese can easily link the good deeds of the four modernizations with the ill luck of the "gang of four," and thus can develop in himself a behavior approving of the present policy.) The validity of the thesis is reduced by the fact that Zhou Enlai had announced the four modernizations even before the "cultural revolution," when the "gang of four" had not yet vanished.

### In Three Zones

It is similarly a continuation of the old traditions of guidance that the leaders must understand the writing of poetry and literature, must have mastered calligraphy. In ancient China both were among the most important criteria when selecting officials. Calligraphy is a constituent part of Chinese culture; it is an art. The manuscripts were put in public view, or cut on public buildings or stone tablets, and the common people tried to judge from the beautiful writing the personal excellence of each politician. (In recent weeks Deng Xiaoping has had to prepare inscriptions for two newspapers and a stone tablet. A saying of Deng has been inscribed on a renovated section of the Great Wall of China and the name of an "economic daily" and of a brand new women's weekly were formed by the printers on the basis of Deng's calligraphy. All this, however, is simply a tradition; it is not a sign of a personality cult.)

Deng's sayings figured in the 1 October parade also--in a striking way on the models portraying the special zones. Their significance need not be sought in their content; what we have here are rather everyday statements. Their history

goes back to early spring, when the politicians generally leave sunny, but cold and windy Beijing to make tours of warmer climes. On this occasion Deng chose three special economic zones from the four in South China. Many had already visited the special economic zones and some felt that "with the exception of the five star reg flag (the Chinese national flag) one did not find a socialist character in the zones; they were almost like Hong Kong." Chen Yun, the number one economic policy maker of China among the top leaders, very much emphasizing planning and offering market regulators only with moderation, and Deng had not yet visited the zones. In early spring Deng Xiaoping visited Shenzhen, Xiamen and Zhukai with a populous retinue. In order to avoid a stir they visited the region in minibuses with light absorbing brown window glass instead of in the big black limousines. In Zhuhai he prepared the epigraph "The Zhuhai economic zone is good." In Shenzhen he prepared the epigraph "The experiences gained in the development of Shenzhen have proven themselves. Our policy approving creation of the economic zones is correct." (In saying farewell to the Shenzhen party secretary Deng avowed that "I had the idea of the special zones first, and then the central committee made a decision about it." In plain language this means: He who criticizes the special zones and compares them to the old concessionary areas is criticizing Deng. He who opposes them is opposing Deng.)

Is there resistance to the zones and how great is it? Was there open fighting, stiff resistance or only normal debate, after which unity was reestablished at a higher level? Deng took on his early spring tour Yang Shangkun, permanent deputy to the chairman of the military committee (to Deng), and Wang Chen, Chairman of the central party academy, the Wang Chen who a year ago was among the first to castigate the "intellectual pollution" of China, one hotbed of which was understood to be the special economic zone. Both may have been suitable mediums to pass on the position and messages of Deng to the resistors, persuading as having been persuaded. (Of the two it may have been Yang Shangkun who had less need of persuasion.)

It is also a fact that in the fall of this year the spokesmen for the Chinese leadership proclaimed with extraordinary energy the need for reforms, for an opening to the outside world. Such slogans are being circulated in China as "Time is money" and "Efficiency is life." Reform will be the primary theme of the upcoming party conferences (a plenum of the central committee in October and the national party conference to be held next year.)

#### Tobacco and Case

Every year above eighty counts as a gift. Deng, running a little race with time, is working with redoubled strength to see that the renewal of China puts down ever deeper roots. Hu Yaobang, first secretary of the party, presumably this is also the optimism obligatory for a politician in a leading post, recently offered the opinion before his visitors that the resistance to the reforms is only limited, that what is involved is rather backward thinking. "This," he explained, "is like when a man has already given up smoking, but still holds on to his cigarette case."

## Plenum on Economic Decisions

Budapest NEPSZABADSAG in Hungarian 21 Oct 84 p 3

[MTI report: "Economic Decisions at the Plenum of the ~~CCP~~ CC"]

[Text] On Saturday the third session of the Twelfth Central Committee of the Chinese Communist Party adopted a program-setting document about the reform of the Chinese economic system.

The resolution summing up with general validity the reform experiments thus far points out that the advantages deriving from the socialist system have not brought the expected results in China and the most important economic reason for this is that the rigid economic structure does not correspond to the growing needs of the productive forces. The functions of government organs and of enterprises were not clearly separated, the state exercised extreme and rigid supervision over the enterprises, did not attribute sufficient significance to commodity production, to the law of value and the regulating role of the market, and realized absolute equality in distribution.

The document places in prospect changes in everything, setting forth that the essential task of socialism is the development of the forces of production, creating ever greater social plenty and satisfying the growing material and intellectual needs of the people.

The resolution considers the key to national economic reform to be a strengthening of the enterprise, paying attention to economic regulators and a reform of the price system. By virtue of the reform the enterprises must become relatively independent economic units in fact and an end must be put to the situation where enterprises were mere dependencies of government organs.

In connection with the carrying out of price reform the resolution points out that on the one hand this affects the entire national economy and on the other hand it affects every Chinese family, so the reform must be carried out with extraordinary circumspection and in a planned and systematic way. Starting from the principle of planned commodity management, China needs a planning system in which the law of value will be realized. The economy of China is a planned commodity economy and not a market economy completely at the mercy of market forces--the resolution states. Binding plan indicators and guideline planning fit into this system; the role of the former will decrease and the role of the latter will increase. Binding plan indicators will continue to be in effect in the case of products which affect the entire national economy or the wellbeing of the people and whose distribution in China the state will continue to assume itself.

The resolution also urges a change in the levelling which is manifested in wage payment and the development of different forms of a system of responsibility in the urban economy also, ensuring that the director will be responsible for managing the factory, production and certain personnel questions. The document touches on various economic forms, on bringing in foreign capital, on use of mixed Chinese and foreign undertakings or undertakings operating

exclusively with foreign capital, as beneficial supplements to Chinese socialist management. China must continue to conduct a flexible economic policy vis-a-vis foreigners and must reform the foreign trade structure. National isolation cannot lead to modernization--the resolution states.

The session of the CCP also passed a resolution that a national conference of party delegates is to be held in September of next year. About 1,000 delegates will participate in this. According to Saturday's report the agenda of next year's party conference will include a debate of and acceptance of proposals connected with the chief guidelines of the seventh Chinese economic and social development plan (1986-1990), the coopting of new members into the central committee and other organizational questions.

#### Commentary About Plenum Decision

Budapest MAGYAR HIRLAP in Hungarian 26 Oct 84 p 2

[Article by Peter G. Feher: "Repairing the Reviewing Stand"]

[Text] Tourists visiting Peking this year must put up with no little discomfort. In the spring they began to repair the reviewing stands before the winter palace of the onetime emperors. They closed the chief entryway and one can approach the inestimably valuable monuments only through a side door. The workers worked diligently--according to Chinese custom--and practically hid from the outside observer with their scaffolding the picture of Mao Zedong hung above the main gate, the only one which can be seen publicly in the Chinese capital today. The portrait stares unblinkingly at the teeming maelstrom in the square of Heavenly Peace, which hardly resembles what it was in the life of the man to be seen in the portrait. On the first day of October--the 35th anniversary of the proclamation of the Chinese People's Republic--the parade units of the armed forces of this country in change paraded before the freshly repaired reviewing stand.

The buses carrying the tourists can find parking in the central square only with difficulty. But it is apparent even to the more observant viewer that in crossings and on the main roads trucks carrying agricultural products are arriving virtually one after another. From vegetables to meat, from the favorite fruits of South China to ocean fish, everything can be found in the unloading areas. And this is so not only in Beijing but also in the other larger cities of the Chinese People's Republic. The swift development of agriculture is the direct consequence of resolutions adopted by the central committee of the Chinese Communist Party in 1978. At that time the plenum made economic work the central task, putting in the foreground individual interest in such a way that the framework of the larger producing units still remained. The result was not long coming, because already at the beginning of the 1980's agricultural production had increased to such a degree that the purchasing sites got into trouble as a result of the "excessive onset." The income of the peasants increased and in the inner city of Beijing it was not unusual to find families the members of which had come to the big city to spend the money they had saved. Frequently, however, they were forced to depart empty handed because Chinese industry was not yet able to manufacture

in sufficient quantity the articles of common necessity which before long will be the indispensable appurtenances of Chinese households.

Such, for example, are refrigerators, black and white television sets, and now increasingly color television sets, electric fans, considering the climate, and the very popular stereo sets. So in good time the so-called urban reform came on the agenda, that is, the reorganization of the guidance of industry. The central committee of the Chinese communist Party passed a resolution in the interest of this. The program-setting document, consisting of 16,000 Chinese characters, emphasized that thus far the advantages deriving from the socialist system had not sufficiently "proven themselves" in China. The most important economic reason for this was that the rigid structure did not correspond to the growing needs of the forces of production.

The unanimously adopted resolution of the central committee intends to decrease in the future the number of enterprises falling under central plan direction. Supervision by the government will continue in effect but--discounting the basic industrial articles--the prices of products will be regulated by market supply and demand.

Government organs at various levels will guide the enterprises not directly but rather only in principle. "We are now putting our enterprises to the test, enterprises standing on a foundation of social ownership, operating under state planning and the supervision of state laws and serving socialist modernization, and in the course of this test the consumer will judge the activity of the enterprise directly on the market," the document of the central committee states.

The supreme leadership in Beijing makes no secret of the fact that it intends to break up the monopoly situation of the producing units, and thus also to encourage the enterprises to introduce new and modern technology. In connection with this they intend to gradually dismantle the previous price supports. Even today about 25 percent of all expenditures by the state budget are turned to price supports. During the past 30 years, according to official statistical data, the price index has increased by only 1.1 percent per year, and wages have been kept at a very low level. Another problem has appeared in wage policy also. Levelling continues to be in effect. Years ago they issued a slogan in agriculture, "Let us break the iron rice bowl," and they gave priority to a distribution of income according to work instead of equality--when everyone got a little bit of food.

But in industry they adhered stubbornly to wage payment according to category, independent of who worked how well and how much. Now there will be a change in this question too. The resolution of the central committee sets forth unambiguously: Differentiation according to wages must be increased in the various occupational branches so as to realize to its full extent the principle according to which those who work well and diligently must be rewarded and lazy people doing bad work must be punished. They must realize the principle according to which there will be more money for more work and less money for less work.

These statements appear all the most important because a consistent implementation of economic reform will inevitably be accompanied by an increase in consumers' prices. For this reason the Chinese leadership intends to carry out the entire "conversion" over 5 years. The resolution indicates that in the future measures must be taken so that the real income of those living in city and village will not decrease as a result of the price adjustments.

There will also be a change in the area of large central investments. Heretofore it was the practice that in such cases the government allocated the money to carry out the projects. In the future all large investments belonging in the state budget can be carried out exclusively with the aid of bank loans.

Experiments were being conducted in three designated large cities of China prior to the reform program. The CCP CC made its decision on the basis of the results of these and after a careful filtering of the experiences. This is understandable, for very important questions are involved, in a country of one billion inhabitants. Repairing the consequences of errors made in the past is extraordinarily difficult. It will require long years, in some cases decades.

In addition to all this the party leadership must deal with the resistance of the "old guard," which sees capitalist tendencies in the reforms. In a recent speech Hu Yasbang, first secretary of the CCP CC, noted that the new economic measures were clashing with retrograde individual and group interests. What sort of people can carry out the reform is increasingly becoming a central question of Chinese cadre policy. The basic criterion is support of the reforms, Hu Yasbang said. At the same time, people who became members of the CCP at the time of the "cultural revolution" make up nearly half of the membership of the Chinese party.

Those who on the first of October viewed the military parade from the freshly repaired reviewing stand have planned a Chinese future which differs completely from earlier ideas. Even if the only Mao picture placed in the public square hung over their heads.

#### Description of Plenum Decision

Budapest MAGYARORSZAG in Hungarian 28 Oct 84 p 6

[Article by Ferenc Sarkadi Kovacs: "Sixteen-thousand Characters"]

[Text] "China has come to understand that socialist planned management is planned commodity management, based on the public ownership of the tools of production, where the law of value must be carefully followed and applied." This statement was made by RENMIN RIPAO, the paper of the Chinese Communist Party, 2 days after the central committee adopted a 16,000 character resolution about a comprehensive reform of the structure of the national economy. The party document summarized the experiments, experiences and lessons thus far. In the possession of certain experiences the "free" signal was not given starting from zero; this was a program for an undertaking which had

tempted a number of Chinese politicians for the past 15 years, the modernization of China. According to an English journalist the real surprise in this document was its unvarnished tone: "It reminds one of the case when an outstanding economics professor lectures a student too weak for his class."

#### Ten "University Semesters"

China has had ten university semesters, 5 years, to learn the historic lesson. The central committee provided this much time to carry out the basic reforms. This is a short time compared to the complexity of the tasks and the size of the country, even if the Chinese reform process is not starting from nothing; the seeds of the reforms were planted at the end of the 1970's in Sichuan and in Anhui province. But among the industrial and agricultural reform experiments it was the latter which were put first and so it was decided that these must be extended to the entire country.

The agricultural reforms are based on simple recognition: "The individual interest of the peasant must be permitted to realize itself," let the farmer (and the state) prosper. He should be interested in producing more, because then he will retain more which he can sell. The result is that China has reaped a series of record harvests. In 4 years they went from 320 million tons to nearly 400 million tons, and this year they will probably exceed even this limit. Experts hypothesize that China can go even further with this impetus, but supplementary investments will become unavoidable after a time, for example the use of artificial fertilizer or seed types with greater yields.

For the time being the Chinese village is satisfied, and if the Chinese countryside is tranquil the whole country is tranquil, goes the Chinese political axiom. The country records about 60 million people living from agriculture who are struggling with difficulties making a living and they have worked out urgent measures to liquidate these difficulties. But China has basically solved the feeding of one billion people.

The Chinese leaders have come to the similarly obvious recognition that with agricultural reforms alone the reform process is only half done, if not less. Even now the larger portion of the national income is produced in the cities; a reform of the entire economic system is absolutely required if they want to realize the national goal--to quadruple the 1980 industrial and agricultural production value by the year 2000 and reach or approximate a national income of 1,000 dollars per capita. One cannot know if it was deliberate that once again the comprehensive reforms, including a reformation of the urban-industrial systems, was confirmed at a "third plenum", a number sympathetic to numerology. The industrial and agricultural reforms together will be linked to two "third plenary sessions" now, the third plenum of the 11th central committee (December 1978) and the third plenary session of the 12th central committee (October 1984). The sequence 11 and 12 refers to the fact that the central committee in question was elected by the 11th and 12th party congress respectively.

## Decreasing Role for the Midwife

It is an unambiguous identifying characteristic of the reform ("kaiko" in Chinese) that it points in the direction of decentralization. The excessive midwifery over the enterprises will end. The level of decision-making will descend, for the sources for enterprise flourishing are known better on the spot than in distant offices. They want to make the enterprises compete. Competition is necessary, as one can read from the 39-page resolution (in English translation). "We must make our enterprises subject to the judgment of the consumers on the market, and only the best should survive."

The number of binding plan indicators will decrease, although they cannot and do not want to end state supervision of industrial and agricultural products of vital importance to the nation. But as a whole the plan must be flexible and only approximate. Good economic performance "cannot be achieved relying exclusively on administrative tools and binding plan indicators."

The sphere of authority of the enterprise director will increase. What is more, beginning next year an experiment will start in 3,000 important state factories to have the director fill his post only for a definite time. In general this time will be 4 years, after that he can remain in his post if the factory worker congress--worker council--approves of it.

If the director proves incompetent he can submit his resignation or be removed from his post sooner. But in the final analysis the success of the comprehensive reform depends on whether they will succeed in reforming the irrational price system. The state spends enormous sums on subsidies. According to some estimates the subsidies for consumer goods, housing and transportation syphon off one quarter of the budget, even more if we add the industrial subsidies. This causes a deficit and the money printed to cover the deficit is a bearer of inflationary tendencies. Value proportional prices reflecting the laws of supply and demand must be developed circumspectly so that real income does not decrease, the resolution states, and it trusts that "there will never be general and spiral price increases" in China.

## Deng's Crucial Role

Since the reforms will undoubtedly give greater scope to market forces the economic and budgeting regulators hold out a prospect for a breakup of egalitarianism--among other things the egalitarianism manifested in wage payment. A part of the Western press, in a completely absurd manner, sometimes says that "China is moving toward capitalism." What is really involved is a far-reaching socialist experiment in the course of which they will adjust to economic laws, make use of rational and modern guidance methods and depart from methods which have proven ineffective, in a gigantic, backward and complex country. It is a fact, however, that mention of capitalism touches a sensitive nerve in China, for it is not 10 years since Deng Xiaoping was called "a person taking the capitalist path" simply because of the ideas he was airing even then. Now the mark of his hand is on the economic reform document, even if it is primarily the group work of apparatuses and special committees.

Deng does not have any state or government office, but his person (and personnel questions in general) has become the subject of speculation in connection with another decision. They will convene a party conference in September of next year. The holding of party conferences is rare in the history of the Chinese party, but very important decisions are always made at them. Such, for example, was the Zhunyi conference of 1985 when Mao Zedong, eliminating his competitors, became leader of the Chinese party. Or the conference held in the pleasant coastal resort of Beidaihe in 1958, where they adopted a resolution on setting up people's communes. Once again they are putting economic questions on the agenda at next year's party conference, as well as a "solution to organizational problems," which suggests an exchange of personnel. Hu Yaobang, first secretary of the central committee, said to former Japanese foreign minister Ito Masajosi that one could count on the "retirement of three or four high-ranking leaders" and the next day the interpreters for the first secretary said that Hu Yaobang was thinking of personnel exchanges to be carried out in the secretariat of the central committee.

The secretariat is not the highest in the hierarchy of summit organs, but it is considered the motor of the apparatus. Nor is it excessively in the realm of fantasy that there will be personnel changes in the summit organ, in the permanent committee of the politburo. Of the six members two have not appeared regularly in public for a long time. One of them, Ye Jianying, was not even present at last week's central committee session, because of illness.

There is also a hypothesis that others will retire from the summit body if the 80 year old Deng Xiaoping himself also retires. Such a scenario, it is said in diplomatic and journalistic circles in Beijing, would make it possible for younger leaders to try out what the burden of leadership means "in life," while still enjoying the physical presence of Deng.

At present the prestige of Deng Xiaoping is very great. (In one of the photographs attached to the central committee document he is sitting in an armchair; Hu Yaobang stands beside him.) Deng has said that he would like to live until 1997 in order to see how China will take back Hong Kong from Great Britain. Not only his vital strength but his sense of humor is unbroken. Joking about his small stature, he said to Chancellor Kohl the other day that small stature was not a problem, "because if the sky falls down it will not hit me first, it will hit the giants first."

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## FOREIGN TRADE AND INVESTMENT

### THIRTY-FIVE YEARS OF CHINA'S FOREIGN TRADE

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 4, July-August 84 pp 1-7

[Article by Kan Lun [7074 0243]: "Achievements of China's Foreign Trade in Past 35 Years Reviewed"]

[Text] New China has been trading with the world for 35 years. These 35 years have been an extraordinary time. It is of great significance that as we celebrate the 35th anniversary of the founding of the People's Republic, we review the history of our foreign trade. Such a review would make us better able to carry on with our past achievements and press ahead to implement the lines, policies and principles laid down by the party since the Third Plenum of the 11th CPC Central Committee and open up a new phase in foreign trade.

#### I

The establishment of new China's socialist foreign trade is a great turning point in the history of China's foreign trade. It is the foundation for all the progress and development our foreign trade has achieved.

Before the triumph of the people's revolution, old China was a semicolonial, semifeudal country at the mercy of imperialist aggression and ravages. With a host of privileges wrested from China, the imperialists opened up trading ports, established concessions, seized China's authority to write its own customs duties and manage its own customs affairs, controlled China's economic life-line and dominated its foreign trade. In old China, foreign trade was a tool which served the interests of imperialists, bureaucrats and the comprador bourgeoisie. China had completely lost its autonomy in trade matters. Controlled by imperialism, old China's foreign trade was on a small scale, narrow in scope and ran a deficit year after year. According to old customs statistics, the value of imports and exports totaled \$40 to \$50 billion from 1868 through 1948. The annual trade volume was only \$500 to \$600 million. Moreover, for 73 consecutive years after 1877, China bought more than it sold, to the tune of \$6 to \$7 billion all told. In old China, imports and exports were determined by the needs and interests of imperialism. Imports were mainly consumer goods and luxury items while exports were mostly made up of agricultural and mining products and handicrafts. Old China was reduced to a commodity market and a source of raw materials for imperialism. Its foreign trade became a serious impediment to national economic development.

After the founding of new China, we immediately abolished all the privileges that imperialism had enjoyed, resumed customs rights, did away with the various imperialist monopolies in foreign trade, foreign exchange, finance, shipping, insurance and commercial inspection and arbitration, exercised strict control over foreign trade and put it firmly in the hands of the people. At the same time, we confiscated all bureaucratic and bourgeois import and export enterprises, set up state-run foreign trade organizations and gradually completed the socialist reform of privately owned import and export businesses. Henceforth, new China's autonomous, independent socialist foreign trade took shape on a national scale and began its historic journey. The establishment of socialist foreign trade remarkably transformed the nation's trade and constitutes the foundation for all the progress and victories we have achieved in this area.

Since the founding of the People's Republic, and under the leadership of the Central Committee and the State Council, China's foreign trade has firmly enforced all the principles and policies laid down by the party and the state and enthusiastically fulfilled the state's international trade tasks. It has steadily pressed ahead in the socialist direction and has played a major role in promoting the socialist revolution and construction. We have effectively implemented the socialist reform of 4,600 privately run import and export enterprises, thereby ensuring the primacy of state-run foreign trade enterprises. Side by side with our people, we neutralized the hostility of imperialism and hegemonism and surmounted their isolation, blockade and embargo. We have overcome the sabotage and interference by Lin Biao and the "gang of four" in foreign trade, defended the interests of the state and people and speeded up the recovery and development of the national economy. Moreover, we have developed trade with countries all over the world on the basis of equality and mutual benefit, increased mutual understanding and friendship and promoted interstate relations.

China entered a new historic era after smashing the "gang of four," particularly in the wake of the Third Plenum of the 11th CPC Central Committee which affirmed anew the Marxist ideological, political and organizational lines and made the strategic decision to shift the emphasis of our work to socialist modernization. To accelerate the country's socialist modernization, and after taking into account its specific circumstances, the Central Committee decided to open the country to the world and explicitly demanded that both domestic and foreign resources be used in socialist modernization, that both domestic and foreign markets be opened up, that we master the techniques of organizing internal construction and developing external economic relations, actively promote international economic and technical cooperation on the basis of self-reliance, expand foreign trade and make ourselves more self-reliant by using the strong points of foreign countries to make up for our own shortcomings through equal and mutually beneficial international exchanges. This move by the Central Committee further secured the strategic position of foreign trade in socialist construction and marked the entry of foreign trade into yet another historic era. Under the guidance of the open policy, China's foreign trade has become more flexible, trade methods more diverse and trade channels more smooth. Dynamism and vitality now prevail throughout the foreign

trade sector. To meet the needs of foreign markets, not only have we revived such pre-"Cultural Revolution" practices as licensing, commission sales, holding of trade fairs to promote sales and the processing of foreign materials, but we have also keenly taken to such practices as product assembling, compensatory trade, joint ventures, joint production and leasing. In the introduction of foreign technology, we have established enterprises to act as agents, to supply spare parts, or to provide maintenance and repair services so that consumers could be better served. Reaching out for business opportunities, we have set up trade representative offices in a number of foreign nations and operated joint enterprises and trade centers. Other nations have also set up representative offices in China, which totaled 646 in 1983. In our international trade, whether cash or credit is concerned, we have adopted a number of widely accepted trading methods. With some developed nations, what we buy hinges on what we sell. With developing nations, we carry on barter trade and multilateral trade to benefit one another. We have been experimenting with and have carried out some preliminary reforms in the structure of foreign trade, probed into new modes of integrating industry and trade, and integrating technology and trade and opened up new channels of foreign trade. By transforming the old monopoly which dominated, even strangled, foreign trade in the past, we have unleashed the initiatives of all localities and departments and made possible the progress that has taken place.

After the founding of the People's Republic, because we have correctly implemented the party's policies and principles, foreign trade has made substantial gains. The results have even been more spectacular since the Third Plenum. In 1983, China's foreign trade hit a record \$40.7 billion, which was a 35-fold increase over the 1950 figure of \$1.135 billion and doubled the \$20.64 billion worth of goods we bought and sold in 1978. The average annual growth rate was 11.4 percent. Of the total trade volume in 1983, exports accounted for \$22.2 billion, up 39-fold from \$552 million in 1950 and a jump of 1.3-fold over the 1978 figure of \$9.75 billion. This translates into an average yearly growth rate of 11.9 percent. After several years' efforts on our part, our exports as a percentage of total world exports have increased from 0.7, in 1978 to 1.25 in 1983 when we placed 18th among the world's exporting nations, up from 32d in 1978. As the national economy underwent restructuring, we imported \$18.5 billion worth of goods in 1983, which was a 32-fold increase over our 1952 imports of \$590 million and a gain of 70 percent over the 1978 imports of \$10.89 billion. Not only did old China lack anything which even began to match this rapid growth rate, even in the capitalist world during the same period, trade did not grow as quickly. Since the Third Plenum, our exports have picked up even greater momentum. From 1978 through 1983, exports expanded 17.9 percent each year. Allowing for fluctuations in international market prices, the volume of exports increased 15.4 percent each year. These numbers compare very favorably with average world export figures. During the same period, the value of world exports rose at an average annual rate of 6.5 percent, while the volume of world exports grew 2 percent each year. This fully demonstrates the strength and vigor of China's socialist foreign trade.

Since 1949, the product mix of China's imports and exports has also changed considerably. In 1950, heavy industrial goods accounted for only a small proportion of our exports. They made up 25.5 percent and 43 percent in 1978 and 1983, respectively, displacing light industrial products as our leading export. Light industrial products, too, were relatively insignificant in 1950 but grew to 46.9 percent of total exports in 1978. Although more and more light industrial goods were sold each year, heavy industrial products were selling even faster at the same time. Hence the drop in the proportion of light industrial goods to 41.1 percent in 1983. Agricultural and other byproducts accounted for 57.5 percent of total exports in 1950. Owing to the ever-rising standard of living of the people and their demand for such products, their relative importance as a percentage of total exports has been declining steadily. It dipped to 27.6 percent in 1978 and declined further to 15.9 percent in 1983. China's imports throughout have been dominated by technology, equipment and production raw materials, with production materials making up about 80 percent of total imports. Since the Third Plenum, of all production materials imported, technology, equipment and electrical machinery amounted to roughly 23 percent of total imports; while raw materials for industrial production and those for agricultural production made up 45 percent and 8 percent, respectively. To improve the people's standard of living, we have also imported a sizable amount of market commodities, about 24 percent. The changes in the composition of our exports and imports over the past 35 years have not only transformed the backwardness of foreign trade in old China, but also testifies to the gratifying results of China's rapid progress in industrial and agricultural production. Particularly worth noting is the fact that China has maintained a basic balance between its imports and exports in these years, fundamentally reversing the unfavorable trend in old China when we ran a massive trade deficit for 73 years. As a result of our recent efforts to increase exports, China has enjoyed a combined trade surplus of \$9.5 billion during the past 3 consecutive years, thereby substantially boosting our foreign exchange. In this way, a favorable condition has been created for our introduction of sophisticated technology, the development of external economic cooperation and the acceleration of the four modernizations.

## II

Foreign trade is an important component of our national economy. Its function is to channel internal and external economic interflow and promote China's national economic development by facilitating equal and mutually beneficial exchanges among nations.

Exports are the bread and butter of foreign trade and the main source of our foreign exchange. No exports, no imports. But imports, in turn, can also promote exports. Our systematic efforts to organize industrial and agricultural production for export have earned a huge amount of foreign exchange and ensured imports for the national economy. Such efforts have also improved domestic production and technological level, fostered support for agricultural and industrial production and smoothed the entry into international markets of our agricultural and industrial products. The key to expanding exports lies in developing the production of export commodities. Only by continuously developing such production and supplying commodities in demand in world markets could export trade move ahead quickly.

Since the establishment of the People's Republic, China's export trade has consistently followed the principle of "develop the economy, ensure supply." Another is to emphasize and serve production. Starting with the development of production, we make high quality our prime concern and establish close coordination with production and commercial departments, adopt a variety of measures to actively help production departments solve their problems, organize the trial-manufacturing of new products and promote commodity production. We also support related production units in developing superior breeds of plants, poultry and livestock, improving varieties, collecting samples and other technical data, and organize export commodity exhibitions to educate related departments so that they are better able to raise the quality of their products. Furthermore, we give production departments the necessary economic support and adopt a full range of measures to make available export loans and short-term foreign exchange loans, loans to finance the importation of foreign technology required by domestic manufacturing, revolving funds for the production of export commodities, investments in technical equipment needed by such production, trial-manufacturing costs and funds to foster various production materials. All this assistance for production departments also expands the source of exports and improves their quality.

To meet international competition and increase economic results, China has set up various kinds of export commodity production centers depending on local conditions. Up to 1983, China had already established 27 integrated commodity production centers, 98 single-commodity agricultural production centers, 94 export-industry specialized factories, 821 foreign trade production and processing enterprises and over 130 joint industrial (or agricultural) enterprises. Altogether they account for 30 percent of China's total exports. Production centers and specialized factories have become an important pillar of China's foreign trade and do much to stabilize the source of supply of exports, upgrade commodity quality, increase the variety of design and color, improve packaging and speed up product upgrading and succession.

Since the Third Plenum, export trade has freed itself from the straitjacket imposed by the "gang of four" and is now free to exploit China's strengths imaginatively to organize domestic production for export in accordance with the nation's specific circumstances and international market requirements. Putting our abundant wealth in natural resources to work, we have further expanded the export of petroleum, coal and nonferrous metals, etc. In recent times, our oil exports have topped 10 million tons each year. In 1983, we exported 20.31 million tons of oil, earning \$4.3 billion in foreign exchange. Taking advantage of our vast labor force and existing industrial foundation, we have actively pursued processing and assembling operations, making significant progress in recent years. Processed and assembled products constituted about 30 percent of total exports in 1983. Our mechanical industry is now fairly well-established, with some sectors, e.g., shipbuilding, machine tools and light textile machinery, almost on a par with world standards. Tapping our potentials in the mechanical industry, we have gone all out to organize electrical machinery for export. In 1982, \$2 billion worth of electrical machinery were exported to 142 countries and regions. The expanding exports of the categories of goods mentioned above have not only transformed the

product mix of our exports but also helped the national economic structure and industrial mix become more sophisticated. As a result of developments in agricultural and industrial production and our export drive, the number of export items in 1983 exceeded 50,000, up from about 10,000 in the early years of the People's Republic. Among them were famous brands and "flagship products." About 26 products are now No 1 in the world, and 32 products, including oil, cotton cloth and apparel, have brought in foreign exchange totaling more than \$100 million each. As a share of our GNP, export trade has improved its position from 6.8 percent to 11.1 percent in 1983, thus further enhancing its importance and role in the national economy. Today, foreign trade generates four-fifths of our overall foreign exchange and is, in fact, the chief source of our foreign exchange. Not only does it ensure the funds to purchase advanced technical equipment and important materials needed for national economic development, but it also creates a favorable climate for the further development of our economic and technical cooperation with other countries and speeds up the four modernizations. Because of our concerted efforts to organize agricultural and industrial production for export, export trade has also improved the level of such production, stimulated domestic economic development, quickened industrial accumulation, invigorated the rural economy, raised collective and personal income, boosted the amount of accumulated funds at both the national and local level and provided more employment in small towns. Today, the entire nation's handicrafts industry is mainly geared toward export. Drawnwork alone employs 5 million workers, while straw, wicker and bamboo weaving does the same for another 3 million people. Assuming that every 100 million yuan of GNP provides jobs for 8,000 people and that every 100 million yuan worth of exports is equivalent to 170 million yuan of GNP, we create employment opportunities for 12,000 people a year with every 100 million yuan worth of goods sold abroad, which, in turn, generates 35 million yuan in tax revenue for the state.

Since 1949, we have actively made use of what foreign countries could offer and organized imports on the basis of self-reliance in accordance with national planning.

A key component of our import trade is the introduction of advanced technical equipment. From 1952 to 1983, we purchased 1,100 pieces of advanced technical equipment and whole plants at a cost of \$17.8 billion. They have played a crucial part in promoting national economic development and raising our S&T level.

In the 1950's, we imported from the Soviet Union and Eastern Europe over 400 pieces of equipment. Among them were 156 pieces from the Soviet Union, including metallurgical, mechanical, auto, coal, petroleum, electrical, telecommunications and chemical products or equipment, all of which were basic to China's industrial construction at the time and laid the foundation for China's socialist industrialization. In the 1960's, owing to worsening Sino-Soviet relations, we gradually shifted toward Western Europe and Japan as the primary sources of our technical imports. In 1952, we purchased from Japan our first vinylon machine. This was followed by 84 pieces of equipment and technology from 10 countries, including Japan and those in Western Europe. These imports,

ranging from petroleum to chemical, metallurgical, mining, electronic and precision equipment, were mainly whole plants designed to raise productivity. At the same time, we also began to import production manufacturing technologies which proved highly effective in strengthening the weak links in certain industries and filled a technological vacuum. Toward the latter part of the 1960's, importation ground to a halt due to the interference and sabotage by the "gang of four." After Lin Biao's antirevolutionary clique was smashed in September 1971, we resumed importation in 1972. From 1972 through 1977, China imported 222 pieces of plants and new technical equipment from 19 countries, including Japan, West Germany, Britain, France, Holland and the United States. Mostly, aviation, optical, shipping and electronic equipment, they did much to quicken China's scientific progress, promote our defense and national economy and make us more self-sufficient. While we made a mistake in 1978 by importing 22 large-scale whole plants which the state could not afford, they could still be useful to the national economy once they are completed and go into operation.

Since the Third Plenum, new progress has been made in our importation of advanced technology and equipment. In 1983, such imports reached \$3.25 billion. From 1979 through 1983, among the main items imported were chemical plants for Baogang in Shanghai, Daqing, Nanjing and Shantung; chemical fertilizer equipment for Shanxi, Ningxia, Zhejiang and Xinjiang; chemical fiber works for Shanghai; polyester facilities for Jiangsu; a color kinescope plant for Xianyang; equipment for Dexing copper mine in Jiangxi, and an aluminum plant for Guizhou. The focus of importation has been changed to patented technology and key equipment (mainly single units); the preferred methods of importation are licensing, consultancy, technical services and joint production, which altogether account for half of all imported technical items. Of this half, three-quarters are made up of license trade. In 1983, one-third of it completed the trial-manufacturing stage and was slated for batch process. The importation of technical hardware and technology has been instrumental in supporting China's key constructions and speeding up the technological transformation of our existing enterprises.

To meet the needs of national economic development, we have also been buying a sizable amount of essential raw materials and products, some of them in critically short supply at home. Rolled steel is an important industrial raw material which we are not yet producing in sufficient quantity and variety to satisfy domestic production requirements. Hence the millions of tons of steel imports each year. Before 1954, imported steel at one point made up almost half of total national consumption. After the 1970's, imported steel dropped to roughly one-fifth of domestic production. In the 5 years since 1979, altogether 30.53 million tons of steel were imported, or 21 percent of domestic consumption. The number of varieties of imported rolled steel, including some which we cannot yet produce or are not producing in sufficient quantity, is approximately one-third that of domestic varieties. For the past 34 years, we purchased from abroad a total of 95 million tons of steel. Other purchases in the same period included 3.07 million tons of copper, 2.76 million tons of aluminum and 154.49 million tons of chemical fertilizers. Since 1979, we have imported 980,000 tons of copper, or 40 percent of domestic consumption;

810,000 tons of aluminum, or 28 percent of domestic consumption; and 54 million tons of chemical fertilizers, or 25 percent of domestic consumption. For the past 34 years, we have also imported a good deal of zinc, nickel, rubber, synthetic fiber, paper pulp, cotton and lumber. The importation of these crucial raw materials effectively accelerated the development of our agricultural and industrial production.

While production materials have enjoyed priority in our shopping list, we have also imported a sizable quantity of daily necessities and market commodities, depending on the nation's needs, to supplement domestic supplies. At a time when the national economy is experiencing short-term difficulties, we are purchasing 5 million tons of food and 500,000 to 1 million tons of sugar each year to fill the gaps in internal production and ensure market availability. Following the smashing of the "gang of four," we have zeroed in on the material shortages created by its sabotage and imported some food, sugar and cooking oil etc., in a systematic way. To satisfy the cultural needs of the people, which cannot be met internally, we have imported such items as TV sets and tape recorders. Since the Third Plenum, we have purchased 7.1 million tons of sugar and 70 million tons of food. Not only have they supplemented domestic supplies and improved the people's standard of living, but they have also aided the recovery and development of diversified economic activities and cash crop production in rural areas.

### III

China has consistently adhered to the principles of equality and mutual benefit in its trade relations with other countries and worked to strengthen inter-people understanding and friendship. Our position has contributed to preserving world peace and advancing human progress.

As early as September 1949, the "Common Program of the Chinese People's Political Consultative Conference" declared explicitly, "The People's Republic of China may resume and develop trade relations with the governments and peoples of all nations on the basis of equality and mutual benefit." We have stood by these principles throughout the last 35 years, insisting that in bilateral relations, all countries, big and small, powerful and weak, are on an equal footing. Bilateral trade should be based on each other's needs and possibilities, mutual exchanges, mutual benefit and each supplying what the other lacks in order to promote mutual economic development. We are opposed to trade discrimination and exploitation and plundering in the guise of trade. We also object to imposing a trade relation on another country against its will. We demand that contracts be honored and promises kept. Our principle of equality and mutual benefit, which is entirely in the interests of the people of China and those of other nations, has been widely welcomed and highly praised by people everywhere.

China's firm adherence to its principles has enabled its foreign trade to make rapid headway over the past 35 years. In the early years of the People's Republic, only 40 nations and regions had trade relations with us. In 1978, the number jumped to 170. In 1983, we were trading with 185 nations and

regions around the world and signed government-to-government trade agreements or protocols with 92 of them. In many instances, nongovernmental trade, by promoting mutual understanding and friendship, led to the establishment of formal diplomatic ties. Foreign trade, therefore, can be a precursor to international relations. The latter, in turn, fosters the former.

China is a developing socialist nation and belongs to the Third World. We and most other Third World nations endured some similar sufferings in the past and confront similar tasks ahead. We deeply treasure our trade relations with developing countries, striving continuously to strengthen our economic and trade relations with such friendly socialist nations as Korea, Romania and Yugoslavia, supporting one another's economic development and nurturing one another's ability to grow through self-reliance. At the same time, our trade with other Third World nations has also made important gains. In the early years of the People's Republic, we already set up trade relations with over 10 developing nations in Asia and Africa. In 1978, we were trading with 100 developing nations, the total trade volume being \$3.44 billion. Since the Third Plenum, in accordance with the principles of "equality and mutual benefit, emphasizing practical results, diversifying trade practices and common development," we have established trade ties with over 140 developing nations and regions by 1983. Of these 140 nations, over 70 have signed government-to-government trade agreements or protocols with us. Our trade with developing nations was worth \$8.23 billion in 1983, a 1.4-fold increase 1978, exceeding the growth rate of our trade with developed nations. It accounted for 20.2 percent of our total foreign trade in 1983, up from 16.5 percent in 1978. Despite these advances, our trade with Third World nations still lags behind that with developed countries, the reasons being that we are all developing nations, our production level remains relatively low and all of us are exporting more or less the same products. But the outlook will brighten as our economy and those of our trading partners in the Third World develop and the composition of our exports become diversified. The development of our trade relations with these countries has a vital role to play in promoting bilateral friendly relations, strengthening "South-South cooperation" and consolidating a fighting friendship to oppose imperialism and hegemonism and defend world peace.

We have established and expanded trading relations with developed capitalist nations on the basis of the five principles of peaceful coexistence. Despite our different social systems, we and many developed nations share common aspirations for safeguarding world peace. We also have common interests in developing our trade, which is of immense potential. As China normalized its diplomatic relations with other states, especially after its resumption of its full legal rights at the United Nations in 1971, the declaration of the Shanghai Communique by China and the United States in 1972 and the normalization of Sino-Japanese relations, our trade relations with many developed nations, particularly Japan and Western Europe, have flourished. These nations have become China's major trading partners.

As our close neighbor separated from us by only a narrow strip of water, Japan has a long relationship with us going back to ancient times. Because of historical, geographical and cultural factors, bilateral trade has played

an important part in the economic life of both nations. The foundation for Sino-Japanese trade was the "Liao Chengzhi-Tatsunosuke Takasaki Memorandum" of 1962. After China and Japan established diplomatic relations in 1972, Sino-Japanese trade entered a period of rapid growth. In 1983, Comrade Hu Yaobang visited Japan, affirming anew the four principles for Sino-Japanese relations: "peace and friendship, equality and mutual benefit, mutual trust and long-term stability." All these developments strongly boosted Sino-Japanese trade. For a long time now, Japan has been China's No 1 trading partner. In 1983, Sino-Japanese trade reached \$9.08 billion, or 22.3 percent of China's foreign trade.

The EEC is a 10-nation economic alliance in Europe. In 1975, we established formal trade relations with the EEC and exchanged permanent delegations, thereby laying the groundwork for steady trade expansion. In 1978, China and the EEC signed a long-term trade agreement and set up a joint commission on bilateral trade. Since 1980, the EEC has granted us generalized preferential status. In 1983, we entered into official relations with the European Coal and Steel Community and the European Atomic Energy Community, thus broadening our linkage with the EEC to all the European communities. In 1983, bilateral trade with the EEC hit \$5.7 billion, or 14 percent of China's total foreign trade, making Western Europe our third largest trading partner.

Sino-American trade relations were revived and expanded in the spirit of the "Shanghai Communique." Its signing resumed Sino-American trade which had been suspended for more than 20 years. A new era in bilateral trade was launched by the establishment of diplomatic relations between China and the United States in 1979 and the coming into effect of the Sino-American trade agreement in February 1980, under which both countries granted each other preferential treatment. Sino-American trade serves the interests of both peoples and we would like to see this relation develop even further. However, like Sino-American relations as a whole, Sino-American trade faces some uncertainty as a result of the failure of the United States so far to remove a number of discriminatory trade restrictions. We hope the United States government would act positively in this matter. Sino-American trade could develop healthily only when it is placed on the basis of equality and mutual benefit.

China and the Soviet Union maintained a friendly relation and traded extensively with each other for an extended period of time. The Soviet hegemonistic policy, however, strained bilateral relations and two-way trade dropped to a low level, a situation advantageous to neither country. The Chinese people have a long-standing friendship with the people of the Soviet Union and we will work hard to defend and strengthen this friendship. In 1983, bilateral trade reached \$680 million, a four-fold increase over 1981. Its share in China's foreign trade remains very small, however. Efforts by both sides will be needed to develop it further.

Hong Kong and Macao are China's sacred territory, 98 percent of whose residents are our fellow countrymen. Our trade with Hong Kong and Macao is special, which currently constitutes a major source of our foreign exchange. Before 1967, China sold more goods to Hong Kong and Macao than anybody else. In 1968 it was displaced by Japan as the largest exporter to that region. For

the past few years, as we expanded our supplies to Hong Kong and Macao, we recovered our No 1 position in 1982 and 1983. Our trade with Hong Kong and Macao reached \$7 billion, or 17.4 percent of total trade, making Hong Kong and Macao our second largest trading partner. After we resume our sovereignty over that region at an appropriate time, we will take suitable measures to maintain its stability and prosperity.

The development of China's foreign trade has continuously increased mutual understanding and friendship between our people and the peoples of other nations and facilitated the development of normal, friendly international relations. In this sense, it lends support to the cause of opposing imperialism, defending world peace and advancing human progress as well as providing a favorable international climate for our socialist construction.

China's foreign trade can look back on a glorious past and look ahead to a bright future. But the work awaiting us will not be easy. Recently, in a major move to open up the country, the Central Committee and the State Council decided to open up 14 ports up and down the country. Under the leadership of the Central Committee, we must firmly carry out the lines and policies laid down since the Third Plenum. Within the framework of unity and centralization, we must give full play to the initiatives of all regions and all departments, raise economic results and strive with all our might to achieve a breakthrough in foreign trade. We must forge ahead courageously in order to achieve the four modernizations and realize the great objective of quadrupling our industrial and agricultural output value by the year 2000.

12581

CSO: 4006/214

## FOREIGN TRADE AND INVESTMENT

### JIANGXI TO SEEK MORE FOREIGN INVESTMENT

OW280346 Beijing XINHUA in English 0248 GMT 28 Feb 85

[Text] Nanchang, 28 Feb (XINHUA)--Jiangxi Province will offer 100 projects requiring 1.2 billion U.S. dollars to foreign investors at a symposium to be held in Hong Kong next month, Vice Governor Ni Xiance said here today.

There will also be 162 technology import pacts worth 130 million U.S. dollars.

The projects to be offered will include agreements on harnessing the Ganjiang River and Poyang Lake, promoting animal husbandry, and setting up or expanding factories for aquatic products, food processing, ceramics, heavy-duty trucks, tourist vans, motorcycles, tractors, cameras, computers, electronic instruments, and radio and television equipment. Also to be developed are power stations, harbors, tourist attractions, marble quarries and mines producing quartz, rare earths, lead, zinc, tin, tantalum and niobium.

The Hong Kong symposium will open on March 8 and will run for 12 days. It is to be accompanied by an exhibition displaying more than 10,000 Jiangxi export commodities.

Jiangxi has great agricultural potential and also holds China's largest deposits of tungsten, copper, uranium and nine other metals.

The province will give Hong Kong and Macao investors preferential treatment in planning, design, engineering, capital construction, communications, and supplies of raw materials and energy, the vice governor said.

Long a major market for Jiangxi products, Hong Kong also transships most of the province's exports to foreign countries.

CSO: 4020/131

## FOREIGN TRADE AND INVESTMENT

### BRIEFS

**JILIN FOREIGN CAPITAL**--In 1984, Jilin Province concluded 97 transactions on importing technologies and utilizing foreign capital with a transaction volume of \$57.5 million, an all-time record. This province received \$6.8 million of foreign capital from joint ventures, compensation trade, loans and donations. [Changchun Jilin Provincial Service in Mandarin 1030 GMT 27 Feb 85 SK]

**HEILONGJIANG FOREIGN TRADE ACHIEVEMENTS**--In 1984, Heilongjiang Province made marked progress in foreign trade and technical import. The purchased volume of export commodities surpassed the purchasing plan by 35.5 percent, a 22.6 percent increase over the 1983 figure. The volume of export surpassed the plan by 47.6 percent, a 73 percent increase over the 1983 figure. As of now, there are 404 countries and regions around the world which have set up trade relations with the province and more than 1,700 corporations and firms who buy from our province. In 1984, the province fulfilled 117 projects on introducing outside technology by utilizing foreign funds, worth \$326 million. The province also made great progress in trade with the Soviet Union. The volume of export and import between the province and the Soviet Union reached 27,500 Swiss francs, a 73 percent increase over the 1983 figure. Meanwhile, the province's losses in foreign trade were 190 million yuan less than the 1983 figure. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 26 Feb 85 SK]

CSO: 4006/422

SPECIAL ECONOMIC ZONES

NEW SHENZHEN BORDER CROSSING POINT OPENS

OW281652 Beijing XINHUA in English 1632 GMT 28 Feb 85

[Text] Shenzhen, 28 Feb (XINHUA)--Shatoujiao, the third border crossing linking the Shenzhen special economic zone and Hong Kong, officially opened today. Located at the western end of Daya Bay, 18 km from Shenzhen city, Shatoujiao has a four-lane highway with a transit capacity of 1,000 motor vehicles and 5,000 people a day.

The opening of the Shatoujiao entry point will ease the burden on the other two crossing points on the border with Hong Kong, ease transportation in eastern Shenzhen and boost local tourism. It will also contribute to the construction of a nuclear power plant on Daya Bay.

According to the city authorities, Shenzhen and Hong Kong plan to open a fourth crossing point between Huanggang on the Shenzhen side and Lokmachau on the Hong Kong side; construction of a highway bridge across the Shenzhen River and linking the two places will begin this year.

Upon completion in 1987, the bridge will greatly facilitate transportation between Hong Kong and downtown Shenzhen, and shorten the highway travel time between Hong Kong and Guangzhou, capital of Guangdong Province.

There were more than 15 million border crossings between Shenzhen and Hong Kong last year.

CSO: 4020/131

## LABOR AND WAGES

### EMERGENCE OF SHANXI RURAL SERVICE FORCE DISCUSSED

Taiyuan SHANXI XUEYUAN XUEBAO in Chinese No 5 Oct 84 pp 18-19

[Article: "A Rural Social Service Force That Cannot Be Overlooked"]

[Text] The countryside has now entered the period of commodity production. Some peasants have left the land but not the village and have entered the realm of circulation by taking up work in social services. This social service force with a mass character will come into being, develop and grow in strength along with commodity production.

Ever since the contract responsibility system has been practiced in agriculture, division of work in agriculture has grown day by day. Priority and specialized households have emerged in large numbers, a diversified economy has rapidly developed and agricultural production is transforming itself from self-sufficiency and semi self-sufficiency to large-scale commodity production. However, we should also recognize that due to the development of commodity production quite a few agricultural sideline products are not marketable and a new marketing problem of agricultural sideline products has arisen which reveals a close up in commodity circulation so that products cannot be turned into commodities and which has hindered the development of rural commodity production. The peasants of Vicheng County in Shanxi have a figurative saying: "It is all a matter of money, there is no money without sale, and there is no money in selling fertilizer." The Marxist theory of reproduction tells us that the process of reproduction is a unification of the process of production and the process of circulation. Commodity production is production with the goal of exchange and the two ends of production are linked to exchanges. A break in exchange seems a break in production. In this sense, commodity production is entirely dissolved in the society. The good situation of rural commodity production urgently demands basic reform of the system of rural commodity circulation to suit the production of commodities.

In the past year or two, supply and marketing cooperatives have made progress in structural reform and have played an active role in promoting production, making the economy prosperous and giving convenience to the masses. However, sole reliance on supply and marketing cooperatives or state-operated commerce for the procurement and marketing of agricultural sideline products cannot shoulder this task. Under the circumstances, some peasants serve the society by engaging themselves in supply and marketing, processing and transportation.

As far as we know, in the past few days more than 20,000 peasants of Linfen Prefecture in Shanxi have engaged in commercial activities and opened up a new channel of circulation. This suits the situation and goes with the tide. We should ardently and sincerely support them in various ways.

However, due to the long-time influence of leftist mistakes, some of our comrades erroneously believe that abandoning agriculture and engaging in commerce is taking the capitalist road and they equate peasant participation in commerce with capitalism. Moreover, some comrades whose minds have not been sufficiently liberated have not freed themselves from old conceptions and find fault with the various specialized households emerged in processing, transportation, purchasing and marketing. Some even regard them as seekers of personal gain, speculators and profiteers so that these peasants are full of worries and do not boldly start their businesses.

The entry of peasants into the realm of circulation conforms to the level in China's present stage of economic development. Marxist-Leninist principles tell us that after the abolition of the system of private ownership by socialism, the means of production are commonly owned by all workers, no one in the society can use the ownership of the means of production to seize the surplus labor of others and the means of production are no longer the condition and means of exploiting others. Even though activities are now undertaken by individual families and households as peasants enter the realm of circulation, they are socialist by nature, components of the unified socialist market and are subordinates and supplement of the socialist economy. Moreover, from the standpoint of the structure of the socialist labor force, ours is a country with 800 million peasants with a large population but insufficient land. Along with the emergence of large numbers of specialized peasant households and priority peasant households, the labor force that can be accommodated by agricultural production departments will gradually decrease and a labor force that leaves the land but not the village will be split off from agriculture to engage in various trades that serve commodity production. This is the overall trend of social development and a progress of society which conform to our national conditions.

Considering the practice in the realm of circulation by peasants of Linfen County in Shanxi during the last 2 years, two forms of activities have initially emerged. One is a new economic body linking agriculture to commerce. There are two types, one of which is joint operation in purchase and marketing. Peasants take part in commerce as they enter the realm of circulation. Because they unite economically, competition for profits between agriculture and commerce turned into their cooperation thereby removing the contradiction between agriculture and commerce in the realm of circulation. The other type is joint operation in production and processing. Joint operation between agriculture and commerce has changed the purely purchase and sale relationship between the supply and marketing cooperatives or state-operated commerce and production teams and peasants in the past. The other form of activity is commerce self-operated by peasants. Some engage themselves as specialized households in purchasing and marketing, some are specialized households in transportation, and some engage themselves in stationary commerce or itinerant commerce that involves traveling among households and villages. At present, new forms are boldly being sought everywhere.

Once peasants enter the realm of circulation they increasingly show a strong vitality and have brought advantages in the following ways. First, after the "double-contract" responsibility system was put into practice in the rural areas, some of the surplus labor engages in specialities of diversified management while some engage in individual specialities of purchase and sale, transportation and processing. This has opened up a new avenue for rural surplus labor. Second, peasant participation in commerce has added a new channel of circulation as they can go directly into towns just to sell their own agricultural sideline products. In this way, the state, collective and individual all operate at the same time, forming a purchase and marketing network for agricultural sideline products and better promoting the development of commodity production. Moreover, the market solely managed by commerce departments in the past has turned into a situation of "powerful individuals fighting for supremacy," which promotes the improvement of supply and marketing cooperatives and state-operated commerce in their management mentality, style and methods. Third, after agricultural sideline products enter the towns, supply to the cities can be improved and the needs of city residents for agricultural sideline and special local products will be better satisfied. Finally, peasant participation in commerce can quickly make peasants wealthy. Peasants are commodity producers as well as sellers of commodities. They must turn the products they produce into commodities for sale before they can purchase the means of production and the means of subsistence and continue to carry out expanded reproduction. Only this way can commodity production be carried out successfully or there will be obstacles and setbacks. In 1981 the Huancun Production Brigade of Quwo County in Shanxi started their joint agriculture and commerce store. In 3 years it has locally procured 550,000 yuan in agricultural sideline and special local products, equivalent to a twofold increase over the total procurement a decade before joint management, thereby vigorously promoting the increase of rural commodity production and large increases in peasant income.

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CS0: 4006/113

LABOR AND WAGES

BRIEFS

LIAONING INCREASES LIVING SPACE--Living space for each member of urban workers' families in the province showed an average increase of 4 percent in 1984 compared with 1983. The number of households living in crowded places dropped from 16.1 percent to 10.9 percent. Families with an average per capita floor space of 8 square meters increased to 28.6 percent from 25.6 percent in the previous year. The quality of houses of urban workers' families greatly improved. Many workers moved from single-story houses to houses of two or more stories. According to a survey, about 98.4 percent of the workers' families in the province had tap water supplied in 1984, an increase of 9.8 percent over the previous year. About 47.4 percent of all families had private bathrooms, an increase of 10.9 percent over the previous year. About 79.3 percent of the workers' families had private kitchens, an increase of 2.1 percent over the previous year. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Feb 85]

BEIJING MODEL WORKERS MEETING--Beijing, 28 Feb (XINHUA)--Representatives of model workers and collectives on all fronts in Beijing attended a meeting of outstanding workers called by the Beijing Municipal CPC Committee and the municipal government today. They pledged to stand in the forefront of reform, advocate honesty, resolutely oppose the new unhealthy trends, hold high the banner of communism, and make fresh contributions to the motherland's prosperity. More than 60 percent of the 1,450 model workers of Beijing Municipality at the meeting were mental laborers. Many of them were outstanding scientists, inventors and technical specialists. At the meeting, in light of the new characteristics of the reform period, a responsible comrade of the Beijing Municipal CPC Committee set higher demands for model workers. He urged them to stand in the forefront of reforms and to pioneer in the new era; to lead the masses in achieving prosperity through hard work and be models in implementing the party's policies; to learn and master modern science and technology and be vanguards in promoting technical progress; and always set high demands on themselves and strive to set good examples in providing excellent services. Beijing Mayor Chen Xitong presided over today's meeting. [By reporter Li Yafei] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1606 GMT 28 Feb 85]

CSO: 4006/423

## TRANSPORTATION

### RAILWAY CONSTRUCTION EXTENDING IN ALL DIRECTIONS

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 5, 28 Sep 84  
pp 2-3

[Article by Fang Ping [2455 1627]: "Let China's Railways Extend Into All Directions"]

[Text] Since the founding of the PRC in 1949, China's railway construction developed in a magnificent way. Presently, 54,000 km of railway lines are in operation on the Chinese mainland (of which over 3,000 km are local railways), placing China into fifth place throughout the world. With the exception of Tibet and Taiwan, people's governments of all provinces, municipalities and autonomous regions have railway connections to Beijing. Railways play a major role in linking urban with rural areas, in economic developments, in strengthening domestic and foreign interchanges, in promoting the solidarity of all nationalities and in consolidating national defense.

From the first railway on Chinese soil in 1876, railways in China have a history of over 100 years, but in the 73 years till 1949, only 22,000 km of railroads were built, of which on the eve of liberation only 11,000 km could with difficulties be kept operational due to the ravages of war.

In the 35 years since the establishment of New China, a total of 31,000 km of new railways have been built, the total railway network was greatly improved and great changes took place in the southwestern and northwestern regions, where there had been almost no railways at all in old China. Compared with the situation before the founding of the PRC, the mileage of railways was increased 1.4 times, and if we include multiple tracks, tracks in stations, branch lines and private-use lines, the total length of railways throughout the country is over 118,000 km, or 2.4 times what it was before the establishment of the PRC.

#### Planned Manner of Construction of our Railway Network

In line with the strategic arrangement for the development of the national economy, the state, after the establishment of the PRC, allocated large funds for the construction of new railway lines. China's southwestern region, with its many inaccessible mountainous areas and swift rivers, had

been a closed off area as far as traffic was concerned. The state decided to devote major energy on the construction of railways in the three provinces of Yunnan, Guizhou and Sichuan. In June 1950 construction of the Chengdu-Chongqing railway was begun. In old China this line had been under preparation for over 40 years, without one single sleeper or rail having ever been laid. After the establishment of the PRC, it took only 2 years and 1 month until traffic was successfully opened on the 505 km of the Chengdu-Chongqing line. Again in 1956, the Baoji-Chengdu line was opened to traffic and also the Guiyang-Chongqing line, the Guiyang-Kunming line, the Zhuzhou-Guiyang line, the Xiangfan-Chongqing line, thus establishing a framework of railways throughout the three provinces of Yunnan, Guizhou and Sichuan. The old road to Sichuan, formerly "as difficult as going into the blue sky," is now a roadway of steel rails, and there has been a radical change in the former condition of isolation due to a lack of means of transportation.

One-third of our northwestern region is occupied by the provinces of Xinjiang, Qinghai, Gansu, Ningxia and Shaanxi. Before liberation, there was only the Tongguan-Tianshui section of the Longhai Railway in all this vast expanse of land, and even this line was often interrupted and inoperative due to the inferior condition of the line. Mentioning the Great Northwest will probably remind people of the bleak and desolate picture expressed in the words: "No spring wind crosses the Yumen Pass." Following the birth of New China, the railway line between Baoji and Tianshui was immediately repaired and the section from Tianshui to Lanzhou speedily completed. In 1952 the Tianshui-Lanzhou railway line was opened to traffic, and the Longhai Railway then only became worthy of its name as the great east-west trunk line, starting out from Lianyungang on the shores of the East China Sea and traversing the provinces of Jiangsu, Anhui, Henan and Shaanxi through to Lanzhou, the capital of Gansu Province. Lanzhou, which formerly could not be reached by train, has now become a place where several railway lines of the northwest intersect. From Lanzhou toward the west, the Lanzhou-Qinghai railway connects Lanzhou with Xining, the capital of Qinghai Province. From Xining again in a westerly direction, the Qinghai-Tibet railway is presently already operational up to Golmud at the foot of the Kunlun mountain range. From Lanzhou toward the northwest, the Lanzhou-Xinjiang railway established a direct link to Urumqi, the capital of the Xinjiang Uygur Autonomous Region, and branching off from this line, a South Xinjiang railway is connecting the areas south and north of the Tianshan mountain range. From Lanzhou toward the north, there is the newly built Baotou-Lanzhou railway. There has indeed been a huge change in the communications of the northwestern territory.

In the areas of the eastern, northern, northeastern and south-central regions, some trunk lines and branch lines have been added after liberation to the originally existing railway lines. Some of the major ones are: the Yingtan-Xiamen railway, which crosses the Wuyi mountain range from Jiangxi to Fujian Province; the Laizhou-Fuzhou railway; the Wuhu-Guixi railway that connects Anhui and Jiangxi; a large trunk line from north to south, parallel to the Beijing-Guangzhou railway, from Taiyuan via Jiaozuo

and Zhicheng to Liuzhou; a line from Beijing to Tongliao in Nei Monggol, a connection between North China and the northeastern region, similar to the Beijing-Shanhaiguan railway; the Jining-Erehot railway, crossing the plains of Nei Monggol to reach our borderland; the Tong-Rang railway from Tongliao in Nei Monggol directly to the Daqing oilfields. Railways were also built to certain mines, forest areas and harbors, such as from Baotou to Bayan Obo, from Nenjiang to Gulian and from Lancun to Yantai.

#### Engineering Feats of Extreme Hardship and Difficulties in Railway Building

Extremely arduous work was involved in the building of many railways. Some had to cross mountains, deep valleys and big rivers, some went through vast expanses of desert or through hundreds of miles of windswept areas and many miles of the Gobi Desert, some traversed marshland and permanently frozen strata, seismic areas and salt lakes, with difficult and dangerous terrain and geological complications. It was the engineering work of so large and technically difficult a scope as rarely met with in the history of railroad building. The large number of engineers and workers as well as officers and men of the railway battalions of the PLA did not shrink from hardships and dangers, were undaunted in the face of difficulties, struggled and persevered with fearless heroism, particularly where the terrain was believed to be unsurmountable, laying steel rail after steel rail of our transportation lines and having the trains go thundering along. The total length of the Chengdu-Kunming line is 1,100 km. It passes through 427 tunnels with a total length of 341 km, as it cuts through the Daliangshan and Xiaoliangshan mountain ranges. The line had to have 991 large and small bridges of a total length of 93 km to cross the surging, turbulent Dadu, Jinsha and Yalong Rivers and many deep valleys and ravines. The bridges and tunnels account for 40 percent of the total length of the line. The Xiangfan-Chongqing railway line is 916 km long, 45 percent of which are bridges and tunnels. The length of the Hairag to Golmud section of the Qinghai-Tibet railway, 653 km long, built on a plateau 2,700 to 3,700 meters above sea level, had to have 32 km of railway line laid over the Qarhan salt lake. The railway from Nenjiang and Xuguitai toward the forest areas of the Xingan mountain range crosses extremely cold regions--the lowest temperatures are 50 degrees below zero Celsius, and some parts of the railway had to be built over permanently frozen strata. In the old days, trains on the two great trunk lines, the Beijing-Guangzhou and the Beijing-Shanghai lines, had to be ferried across the Changjiang River. In those days there was not even one bridge over the Changjiang River. Now, seven impressive large bridges have been built, of which three are railway and highway combined bridges, so that the "natural chasm" of the past has been turned into a thoroughfare. The large bridges over the Changjiang River at Wuhan and Nanjing are internationally famous. There had been only two bridges over the Huanghe River before liberation, these have now been increased to 13. In addition there is the large Changyuan-Dongming bridge of the Xinxiang-Heze railway over the Huanghe River, which is now being built at a length of 10,282 km. It is 3.5 km longer than the large Nanjing bridge over the Changjiang River. It represents a tremendous engineering project, requiring huge quantities of material, and it is the largest project of its kind in China's bridge building history.

## Major Efforts in Rebuilding and Improving Old Railway Lines

At the same time as new lines are being built, our old lines must be rebuilt and improved. For lines or sections where particularly large increases in traffic and shortage of transport capacity have been experienced, rebuilding means, technically, mainly the construction of multiple tracks and electrification. Double tracks were built on the Harbin-Jiamusi, Beijing-Hengyang, Tiangjin-Shanghai, Baoji-Xuzhou, Beijing-Datong, Taiyuan-Shijiazhuang and Shijiazhuang-Dezhou lines. The length of double track lines throughout the country has increased from about 860 km before the establishment of the PRC to now 9,100 km. As to electrified railways, none at all existed before the establishment of the PRC. Now we have electrified railway lines from Baoji to Chengdu, from Baoji to Lanzhou, from Yangping to Ankang, from Xiangfan to Daxian and from Shijiazhuang to Taiyuan. Up to the end of 1983, over 2,300 km of electrified railways have been built. At the same time over 40 new or extended key railroad switch yards have been established, such as at Beijing, Zhengzhou, Shenyang and Xuzhou. Half of these have mechanized hump yard or semi-automatic hump yard equipment. In addition, a number of passenger traffic or freight handling stations have been newly built, or old ones extended. On old tracks, bridge and tunnel renovations had to be carried out. On the main trunk lines reinforced concrete sleepers, heavy steel rails and ribbon rails have been installed in large numbers.

In the course of China's railway construction, a policy of joint construction by state and local authorities has been adopted. The local railways built by the various provinces, municipalities and autonomous regions have an approximate length of 6,300 km, of which about 2,500 km of railroads have been transferred to centralized control by the Ministry of Railways, while about 3,800 km are administered by local authorities. Locally administered railways play an important role in accomplishing the task of regional transportation of passengers and goods.

## Exert Great Efforts, Be Example to Others

The development of our people's railways has also brought about the gradual growth and expansion of China's railroad industry. The locomotives presently running over our railway lines, our railway cars, rails and bridges as well as our communications and signaling equipment are basically all manufactured in China. In the last 30-odd years, a total of over 11,000 locomotives of various kinds have been manufactured; internal-combustion engine and electric locomotives account for 29.4 percent of all locomotives and haul one-third of all passenger and goods traffic. Over 17,000 passenger cars and 320,000 freight cars have been manufactured. The large number of our railway staff and workers have used all this technical equipment in their great exertions and hard work for the outstanding accomplishment of the various transport and production tasks. In 1983, 1.05 billion passengers were transported, an increase of 5.7 times compared with 1950, and 1.16 billion tons of freight were transported, an increase of 10.6 times compared with 1950. By bringing available equipment potential fully

into play, the efficiency of our locomotives, passenger and freight trains and the average quantity of freight per km are exemplary on a worldwide scale. In many countries of the world, railways presently operate at a loss, but in China, inspite of low freight rates, however, due to high transport efficiency and comparatively low costs of transport, railways are still turning over to the state sizable profits and taxes. From 1950 to 1983, profits and taxes turned over to the state by railways even exceeded by about 25 billion yuan the state's investments in its railways, the railways thus making a substantial contribution to the state's accumulation funds.

The 12th CPC National Congress decided on the great strategic goal of quadrupling the country's gross industrial and agricultural output value by the end of the century. The future development of our railways, which are a strategic key factor in the development of the national economy, will be very impressive. Modernization of our railways will in future concentrate on a reform of our traction power, adoption of new technologies in our railway equipment, continued improvement of transport conditions, on remedying the contradiction between freight volume and transport capacity, on satisfying the needs of our developing national economy and on efforts to attain a state of having railways extend in all directions, traffic flowing without obstructions and of having all traffic running safely and punctually, thus being an example to all others.

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CSO: 4006/184

## TRANSPORTATION

### ELECTRIFICATION OF THE TAIYUAN-JIAOZUO RAILWAY

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 5, 28 Sep 84  
pp 4-5

[Article by Feng Jinzhu [7458 6855 2691]: "Improving the the Taiyuan-Jiaozuo Railway by Electrification"]

[Text] Presently, Shanxi coal is being shipped out over the following six routes: the Beijing-Baotou railway line, the Beijing-Yuanping line, the Shijiazhuang-Taiyuan line, the Taiyuan-Jiaozuo line Nanbei-Tongpu line and the Handan-Changzhi line. Among these lines, multiple track electrification of the Shijiazhuang-Taiyuan line was completed and the line opened to traffic on 29 September 1982. Electrification of the Fengtai-Datong section of the Beijing-Baotou line will be ready for traffic at the end of this year, while multiple-track electrification of the sections between Changzhi and Yueshan on the Taiyuan-Jiaozuo line is just now under construction. This is a major engineering project of China's Sixth 5-Year Plan.

#### General Description of the Taiyuan-Jiaozuo Railway Line

The Taiyuan-Jiaozuo line is continued to the north by the Beitongpu line and connects to the south with the Jiaozuo-Zhicheng, the Zhicheng-Liuzhou and Xinxiang-Jiaozuo lines; together they form a large railway trunk line parallel to the Beijing-Guangzhou line, traversing China from north to south, from Datong in Shanxi Province to Liuzhou in Guangxi Province. In this railway network, the Taiyuan-Jiaozuo line functions as a kind of tributary to the Shijiazhuang-Taiyuan, Nantongpu and Beijing-Guangzhou lines. It will also connect with the Xinxiang-Heze-Yanzhou-Shijiusuo and the Xian-Houma-Yueshan lines, which will be completed in the near future, and which altogether will become another key trunk line parallel to the Longhai Railway that traverses China horizontally from east to west.

The Changzhibei-Yueshan line is the southern section of the Taiyuan-Jiaozuo line. It runs from Changzhibei southward along the western slopes of the many ridges and peaks of the Taihang mountain range, up from the southern source of the Chongshanghe River, crosses the Danzhu mountain range and runs southward along the Danhe River. The line passes through the counties of Changzhi, Changzi, Gaoping and Jincheng, leaves the Taihang mountains and enters Boai County in the Xinxiang region of Henan Province. It

crosses the two provinces of Shanxi and Henan, with a total length of 154 km. This region has abundant coal reserves of high quality, a well developed coal mining industry and is also advantageously located as it is near North and Northeastern China, also close to East and South-Central China, also not too far away from sea ports. The construction of the multiple-track electrified railway on the Changzhi-Yueshan section is therefore of extreme importance for the opening up of coal resources in southeastern Shanxi and for the promotion of political, economic and cultural exchanges between Shanxi and South-Central, East and Northwest China.

#### Abundant Mineral Resources

There is an abundance of mineral resources along the Changzhi-Yueshan railway line, with proven resources of coal, iron, bauxite, copper, silver, sulphur, limestone, asbestos and refractory clay, of which the reserves of coal and iron are the most abundant. According to preliminary surveys, the reserves of coal exceed 60 billion tons, constituting one-quarter of all coal reserves in Shanxi Province, while the annual output of coal is about 20 million tons, or one-fifth of the total output of the entire province. It is in this area that the Qinshui coalfields are located, China's largest source of anthracite. Shanxi Province has 8 large coal mines, of which 2 are located in this area, namely the Luan and Jincheng mines. Nearby and all around there are also hundreds of medium-sized mines and small coapits, located at Xiangyuan, Lucheng, Changzhi, Gaoping, Jincheng, Lingchuan, Yangcheng, Qinshui, Anze and near the end of the line at Jiaozuo, a truly dense distribution of coal mines along the railway line. It is not only that the coal reserves here are very large, widely distributed, not too deep below the surface and easy to extract, but that the quality of the coal is good, its color a shining pitch-black; it occurs in large hard lumps, emitting little smoke when burnt, burning with a blue flame, a coal that is highly welcomed for household use. Particularly the anthracite from Jincheng is valued highly. If touched, it will not smear your hand; it is lustrous and reflects one's image, and when burned turns to ashes without smoke; people call it "fragrant coal." It is said that the fireplaces in the British imperial palaces also burn Jincheng anthracite from Shanxi Province. In iron-smelting operations this coal can save 5-15 percent coke. Its sulphur content is below 0.4 percent, and it is ideal as raw material in the manufacture of chemical fertilizer. The reserves of iron ore are also abundant in this area, with known reserves exceeding 100 million tons, distributed in the areas of Changzhi, Jincheng, Yincheng, Pingshun and Yangcheng. If all these iron mines are in operation, their ore loaded on railway cars and these cars coupled together, the length of this train would be twice the length of the Beijing-Guangzhou railway line. Iron ore from the mines of this area is of excellent quality; the ore is also not too deep below the surface, therefore easy to extract. Two thousand years ago our forefathers already mined and melted iron in this area. The pig iron and iron articles produced here have had a great reputation since antiquity. The silver mine at Jincheng, the bauxite from Xiangyuan and Qinxian, the sulphur from Yangcheng, the asbestos

from Licheng and limestone from Xiangyuan and Changzhi are also all very famous materials.

#### Technological Reform Through Electrification

The Changzhi-Yueshan railway line runs between the Taihang and Yueshan mountain ranges, a terrain of towering mountains in unbroken undulating lines, forming thousands of ravines and valleys, a very difficult terrain indeed. The entire line has 35 large and medium-sized bridges of a total length of 3.3 km. It has 50 tunnels of a total length of 18 km and 235 curves, the radius of the smallest curve being 300 m and all curves together adding up to 52.5 km, which is over one-third of the entire length of the line. The gradient of the Changzhi-Jincheng section is 12 per thousand and of the Jincheng-Yueshan section 20 per thousand. The rails are mostly of 43 kilos and 12.5 m in length. The arrival-departure tracks in the railway stations are 560-650 m long; general conditions for this line are rather unfavorable, and haulage capacity is also low, especially on the Jincheng-Yueshan section, uphill only 750 tons and downhill with two locomotives 1,800 tons, which imposes very considerable limitations on the shipment of Shanxi coal. Although the present technological reform by electrification will still leave the Changzhi-Gaoping section temporarily a single-track line, the reform will turn all other sections into multiple-track lines. The steel rails will all be changed to 50 kilogram rails and the length of station tracks will be extended to 850 m. Electric power for traction will adopt single-phase 25 kilovolt alternating current. The contact network will use phased unilateral power supply, parallel power supply for up and down trips, the traction transformer station is to be equipped with two 3-phase Y/A - 11 strand transformers, side by side for operation. To compensate for lack of traction power, capacity supplementing equipment will be installed in the two 27.5 kilovolt lines at the traction transformer station. To reduce the effect or interference by the strong electric current of the electrified railway line on outside communication installations, a neutralizing rectifier will be added to the traction power supply system -- feedback device. On the main lines between sections and stations, a compensating elastic cable type suspension will be adopted, and at the stations a semi-compensating elastic cable type suspension. As to signals, the electronically linked locks will all be changed to electric centralization and between sections semi-automatic block signals and continuous locomotive signals and automatic car stopping devices will be adopted. As to communications, overhead wiring will be changed to electrified cables, and a pair of 12-channel carrier devices will be added. The original acoustic telegraph equipment will be changed to teletype equipment, and in addition radio telephone train dispatch equipment will be installed. After completion of the technological reforms of electrification, not only will the conditions for the line be greatly improved, but many advanced technical devices will also be installed and transport capacity increased for the shipment of coal from Shanxi Province. The norms for uphill haulage will be 2,300 tons and for downhill trips 3,300 tons, which is more than double of what it was before electrification, and which, furthermore, unifies the haulage norms for the Changzhi-Jincheng and the Jincheng-Yueshan sections

and will bring the norms also nearer to those for the Xinxiang-Jiaozuo and the Jiaozuo-Zhicheng sections, resulting in greatly simplified train arrangements and in higher transport capacity for this railway line. Recently, train transport capacity has increased to 30 million tons per year, which in the future could be further increased to 40 million tons.

#### Places of Historic Interest and Scenic Beauty Along the Line

There are many places of historic interest and scenic beauty along the Changzhi-Yueshan railway line, famous ones are the Yuanqisi Temple at Lucheng, the Shangtang Gate in Changzhi City, the Faxingsi Temple on Cilin Mountain near Changzhi, the Kaihuasi Temple on Sheli Mountain near Gaoping and the Yuhuangmiao and Qingliansi Temples Jincheng. The Changming Lamp, a stone sculpture in the Faxingsi Temple, the Song Dynasty wall paintings at the Kaihuasi Temple and the 28 Yuan Dynasty clay sculptures in the Yuhuangmiao Temple may be rated three great treasures of ancient art of the Shangdang area. The area is also rich in historical legends. For instance, Qin Jing, a bandit-hero of Shandong Province and a figure in one of the historical novels, once sold his horse at Luanfu, the present Changzhi City. The Mishan Mountain, 15 km south of Gaoping City, was the place where once upon a time Lian Po, a general of the state of Zhao, stored grain. The Danzhu Hill between Changzhi and Gaoping is said to have been the place where the eldest son of Yao, Dan Zhu, was enfeoffed. Jiepai Hill on the border of Gaoping and Jincheng Counties, was the old battlefield where the battle of Changping was fought, famous in ancient Chinese history, and where Bei Qi, general of the State of Qin, buried alive 400,000 prisoners of the army of the State of Zhao. Up to the present, mountains, rivers, villages and hamlets of this area still retain many of their names from Qin and Zhao times.

This area is not only connected with ancient culture and history, but was also an old revolutionary base. After the 7 July Incident of 1937, at the time of the Chinese nation's life and death crisis, the Eighth Route Army, led by Comrade Zhu De, pushed forward into Shanxi and established the Shanxi-Hebei-Shandong-Henan Revolutionary Anti-Japanese Base in the area between the Taihang and Taiyue Mountains, starting from then on its hard and difficult struggle against the Japanese invasion. After victory in the War of Resistance Against Japan, Comrades Liu Bocheng and Deng Xiaoping were here, directing the "Battle of Shangdang," which was the curtainraiser for the war of liberation. The people of southeastern Shanxi, fighting an arduous struggle and many bloody battles under the guidance of the party, paid a tremendous price and made major contributions for final victory in the war of liberation. For the everlasting memory of our martyrs who sacrificed their lives for the liberation of the motherland a cemetery for martyrs was established in August 1950 at the former grounds of the "imperial city" at Changzhi. In the cemetery, a 42-meter high memorial to the martyrs stands amidst a profusion of pine and cypress trees, willows and the beautiful flowers of the water lilies.

In the 35 years since liberation, great changes have taken place here as several hundred large-scale industrial and mining enterprises have been built up, such as a number of famous mechanized and highly developed coal mines, an integrated iron and steel mill producing several hundred thousand tons of iron and steel per year, a large chemical fertilizer plant extending over several kilometers of ground and many engineering, electronics, chemical engineering, light industry and textile industry enterprises. This area has by now become an important energy and industrial base for China and for the province of Shanxi.

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## TRANSPORTATION

### LITANG-ZHANJIANG RAILWAY DESCRIBED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 5, 28 Sep 84  
pp 6-7

[Article by Wei Wei [2607 3634]: "In South China Three Trunk Railways Link Up With Three Harbors, Constituting Important Thoroughfares Out to Sea--One of Them is the Litang-Zhanjiang Railway"]

[Text] Along China's southern coastal areas and territorial waters, from Shantou in Guangdong Province to Dongxing in Guangxi on the border of Vietnam, there is a shoreline of over 2,000 km. Three railway trunk lines extend toward the coast and link up with three ports, constituting important thoroughfares out to sea. One is the Beijing-Guangzhou railway to the port of Guangzhou, one is the Nanning-Fangcheng railway, now under construction, to the port of Fangcheng, and one is the Litang-Zhanjiang railway to the port of Zhanjiang.

The Litang-Zhanjiang railway starts at Litang in southeastern Guangxi and runs in a southeastern direction through Guixian, Yulin, Luchuan and outside of Wendi into the western section of Guangdong Province, through the cities of Hechun, Lianjiang and Suixi, and from there directly to Zhanjiang Port on the Leizhou Peninsula, a total length of 318 km. The line links up with the Hunan-Guangxi railway, and in a north-south direction links the provinces of Guangxi and Guangdong. It is on the one hand a thoroughfare out to sea and on the other hand an important trunk line, connecting the regions of the Nanhai Sea and Hainan Island with the hinterland of South China.

#### History of the Railway Construction

The construction of the Litang-Zhanjiang railway has had a long history. When the Hengyang to Guilin section of the Hunan-Guangxi line was opened to traffic in 1938, ground was also broken for the Litang-Zhanjiang line. Work was at that time also going on on the Guilin to Munanguan section of the Hunan-Guangxi railway line. Due to the destruction wrought by the Japanese invasion and the corrupt KMT regime, the Hunan-Guangxi line was by 1941 only completed up to Laibin. By 1947 only 16 bridges and 89 culverts were completed and about 500,000 cubic meters of earth and stone moving work done on the Litang-Guixian section of the Litang-Zhanjiang railway.

After establishment of New China, and following the restoration of the Hunan-Guangxi railway, work on the Litang-Zhanjiang line was quickly resumed. In September 1952, resurvey of the Litang-Guixian section was completed, and by May 1954 the preliminary plans for the whole line had been drawn up. Because of the pressure of getting actual work started, a method of simultaneous surveying, designing and execution of work was adopted. Work was started in April 1954 and by May 1955 track-laying was completed. In July the entire line was opened to traffic and operations were begun on a provisional basis. On New Year's Day of 1956, the line was officially handed over for regular operations. The total time of construction was 1 year and 3 months, and the cost was 420,000 yuan per kilometer of line; indeed a railway construction of the 1950's accomplished with great, fast, excellent and economical results.

### Products of the Line's Hinterland

The Litang-Zhanjiang railway line is located in the southeast of Guangxi and the west of Guangdong Province. After leaving Litang railway station, the line crosses the Yujiang River, a tributary of the Xijiang River, crosses the Yunkai mountains past Yulin, crosses the Jiuzhoujiang River, the Qingnian Canal and the Jianjiang River to arrive at Zhanjiang City. Part of the hinterland of this line are over 10 county seats, among them Guixian, Yulin, Beiliu, Bobai, Gaozhou, Huazhou, Maoming, Wuchuan, Lianjiang, Suixi, an area of almost 100,000 square km with a population of about 14 million. The area has fertile soil and abundant natural resources with well developed industrial and agricultural production. The reserves of Guangxi's manganese mines rank first in the world, and its tin and tungsten mines occupy an important position in our country's economy. Many of these minerals are produced in the hinterland of the Litang-Zhanjiang line. Its limestone quarries not only produce large quantities of limestone and are here distributed over a large area, but mining conditions are also excellent, ensuring long-term supplies for metallurgical, chemical and construction purposes. Besides these, there are also deposits of iron ore, copper, arsenic and coal.

The area has also abundant agricultural products and cash crops. Its agricultural products are paddy rice, wheat, corn, Chinese sorghum, sweet potatoes and legumes. Paddy rice in particular is the main grain crop here. With two to three harvests a year, rice is produced in excess of local requirements permitting large quantities of it to be shipped out of the region. Its cash crops are peanuts, rapeseed, tobacco, tea, hemp and alfalfa. The basin of the Yujiang River is in particular producing sugarcane, and the largest sugar refinery of Guangxi is located near Guixian. Fruits, such as bananas, pineapple, litchis, longans, grapefruits, mandarin and other oranges and tangerines, are available all year round. Overseas Chinese in Southeast Asia are particularly fond of the grapefruits and pineapples produced in this area.

Riding the train of the Litang-Zhanjiang railway, green and luxuriant hills and mountains are all the way on both sides. The mountains are mostly covered with pine, China fir, bamboo and willow trees, an indication of the

rich forest resources. Famous products of the area are fir and pine timber, the southern bamboo, tung oil, tea oil, aniseed and cassia, and even more widely marketed in China and abroad is its pine rosin. The area of Yulin, Michang and Bobai produces large quantities of high quality aniseed and cinnamon and is therefore called "the land of aniseed and cinnamon."

The Leizhou Peninsula, which is one end of the Litang-Zhanjiang railway line, faces China's Nanhai Sea waters, richly endowed with maritime resources that are still awaiting development. The continental shelf under the Nanhai Sea has petroleum resources, which are now being exploited by China in cooperation with foreign countries. There are also many kinds of aquatic products in the sea and abundant mineral deposits at the bottom of the sea. The islands in the Nanhai Sea are important bases for China's deep-sea fishing industry and for the exploitation of marine resources. During the fishing season every year large and small fishing boats from Zhanjiang and from Hainan Island congregate on the sea around these islands, catching all kinds of fish and marine products, the larger quantities of these are Spanish mackerel, tuna, snapper, also sea cucumbers and green turtles. Besides these, they also catch the grouper, striped and pretty like jade, the sailfish, swimming faster than a railway (90 km per hour), the evil-tempered bullhead shark, globefish, the flying fish that dances with the waves, the mild-natured ray, also seaweed, agar, unicorn grass, horsetail weed and other such valuable marine algae and weeds, which are renowned in China and abroad. Much of the above-mentioned products rely on the Litang-Zhenjiang railway for shipment to the interior.

#### Installations and Transport Capacity of the Railway

At the time when the Litang-Zhanjiang railway was first built, technical conditions were poor, its transport capacity was low and shipments were of limited volume, its annual capacity being 2.75 million tons. Since then, during the many years of increasing freight volume, certain technological reforms have been carried out, boundary points have been increased, station tracks lengthened, motive power equipment has been improved and transport capacity has been raised. At present the line is a grade 1 single-track trunk line. The gradient is limited to 6 per thousand, the smallest curve radius is 600 m, and the effective length of stations tracks is 600 m, and the effective length of stations tracks is 720 m. The whole line has 34 stations, 9 bridges, and according to schedule 4 passenger trains and 20 freight trains in each direction per day, the haulage norm being 2,200 tons and the annual transport capacity has been raised to 8 million tons.

Freight transports over the Litang-Zhanjiang line are mainly through shipments, which amount to 70 percent of the total freight shipments. The main items are iron ore supplies from Hainan Island for the Wuhan Steel Mill and the Xiangtan Steel Mill, present output value being 2.8 million tons, including also the transportation of nonferrous metals from along the line, with maximum shipments reaching 2.8 million tons. Petroleum

shipments are also quite large. Maoming is the major oil refining base of Guangdong Province. In 1980 a petroleum pipeline was laid from Zhanjiang to Maoming; the finished petroleum products must be shipped by rail to Guangxi, Yunnan and Guizhou, annual shipments exceeding 2 million tons. There are also considerable shipments of coal, phosphate rock, cement, barite and limestone from Yunnan and Guizhou, which account for 50 percent of the through shipments over the Litang-Zhanjiang railway. In recent years actual shipments over the entire line exceeded 7.7 million tons, and its utilization rate reached 90 percent.

#### Further Technological Improvements

In recent years the state strengthened construction in the field of energy resources and communications, and the exploitation of coal, phosphorus and forest resources will be developed on a large scale. The industrial and agricultural production of Guangdong and Guangxi is flourishing. The harbor of Zhanjiang is being expanded on a large scale, with goods and materials being imported and exported through Zhanjiang in ever increasing quantities. Moreover, the Zhicheng-Liuzhou railway has been completed and opened for traffic, and the double-tracking of the Liuzhou-Litang section will also soon be completed. The Guangzhou-Maoming line is under construction and will in future promote goods and materials exchanges between the interior and the southwestern regions. All these factors contribute to the steady increase in freight volume on the Litang-Zhanjiang line. To meet the demands posed by this situation, a further technological improvement will have to be carried out.

The further technological improvement will have to comprise various aspects, such as expansion and new construction of stations, additional locomotives and cars, improvement of the communication and signal equipment and improvement of the railroad condition. Many of the original tracks at the railway stations are insufficient, stations lack freight lines and freight yards and operational efficiency is low. For instance, Yulin station originally had eight tracks, its freight yard has a transport capacity of only 700,000 tons per year, but the actual freight volume now reaches over 1 million tons, which regularly forces stoppages or restrictions in the loading of freight. Improvement of this station would require the addition of four freight tracks, of two station platforms and of correspondingly larger warehouse space or more canopies. There are 14 stations that need similar expansions. There is also need for the construction of a locomotive division at Yulin and a locomotive return division at Zhanjiang, with improved water supply and drainage installations. As to Communications and signals, the whole line is to use 64 D model single-track automatic block signals and must additionally install electric power equipment. It is furthermore necessary to newly construct or lengthen over 100 culverts, the total length of the extensions to be over 800 m.

The Liuzhou Railway Bureau, which is responsible for the improvements, began in 1981 to assign a work force and started on several scores of tasks with a work force of over 10,000 people. It is estimated that the

entire work can be completed by 1986. After completion of all improvements, the technological standards will generally be much higher, the haulage norms for trains can be increased to 2,800 tons, and even up to 3,200-3,400 tons for the downhill trips from Litang to Guixian, so that the annual transport capacity can reach over 12 million tons, or one-third more than the original capacity.

#### The Terminal at Zhanjiang

The terminal of the Litang-Zhanjiang line will be Zhanjiang, which is a newly developed port city. In the early years after liberation, the city was only 3 square km, its population was only about 100,000, and the city administration and its installations as well as industrial and agricultural production were all in a rather backward state beginning with the First 5-Year Plan, and following the construction of the new port area and start of traffic on the Litang-Zhanjiang railway. Municipal construction was carried out on a large scale. Various industrial and mining enterprises, installations for civil use and trades as well as livelihood service trades began to develop quickly. Principal industries were chemical and machine building industries, sugar refinery, textile mills, salt refinery, marine product processing, ship building, electronic materials and building materials industries. The present population is about 800,000, and the city area is more than 10 times what it was in the early years after the establishment of our government.

The port of Zhanjiang is on the Bay of Guangzhou. There is a wide body of water, the harbor is deep, the coastline is winding in many curves, which all makes it an excellent natural deep-water harbor in South China, with a great potential. At its back is the mainland of our motherland, an enormous hinterland for goods to be shipped into and out of, and it is a shortcut outlet to the sea for all the provinces of Southwest China. It is also the nearest port on our mainland for the shipping lines to and from all the countries of Africa, Europe and Southeast Asia. The freight of almost 70 countries and regions comes here, and the port occupies an extremely favorable position for the overseas trade of the whole country. As early as in the middle of the 1950's, harbor construction was started at Zhanjiang, and in 1983 it was listed as one of the country's 70 key construction projects, whereupon the extension of the port was continued.

Presently, Zhanjiang Port has 3 business zones, 9 wharves for 10,000-ton class vessels, 2 wharves for 5,000-ton class vessels and also an oil wharf for 5,000-ton vessels, the total annual handling capacity being more than 10 million tons, while over 1,000 ships frequent the harbor annually. Over 40 km of railway sidings were laid in the harbor area. The main items of freight passing through the port are petroleum, ores, grain, chemical fertilizer, cement, iron and steel products as well as sundry goods. Still in the process of construction are additional wharves for phosphate rock, iron ore and sundry goods. It is planned that by 1990 the harbor will be able to handle 20 million tons a year. By that time the coordination of Zhanjiang Port and the Litang-Zhanjiang railway will create here an important hub of land and water transportation of South China and will then present to the world a completely new image.

## TRANSPORTATION

### CROSS-CHANNEL CONNECTION ACROSS HAINAN STRAIT CONTEMPLATED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 5, 28 Sep 84  
pp 8-9

[Article by Tang Huancheng [0781 1403 3397]: "Cross-Channel Engineering Projects Across the Hainan Strait"]

[Text] Hainan Island is China's treasure island. Although some construction was carried on the island following liberation, the speed and scope of such construction fell far short of the needs posed by the new developments. In April 1983 the CPC Central Committee and the State Council published an outline for accelerated development of Hainan Island. In April that year the central authorities also decided to include Hainan Island among the areas to be opened up, in order to further promote its development. There are good prospects for great developments on Hainan Island.

However, this treasure island, located solitarily in China's Nanhai Sea, although having its own railway and highway communications, has no direct connection with the mainland. The routes through which the whole country can render support to Hainan and through which the abundant resources of the island can support construction of the whole country are exposed to the obstruction by high winds and raging waves and therefore extremely vulnerable as communication lines. If it were possible to execute a cross-channel engineering project across the Hainan Strait, allowing direct railway and highway connection between the Leizhou Peninsula and Hainan Island to connect with the road network around the island, this jewel of an island on the chest of its motherland would sparkle in even greater brilliance.

#### The Jewel of the South

Hainan Island, also called Qiongya, lies in the ocean southwest of Guangdong, separated in the north from the Leizhou Peninsula, visible in the distance, by the Hainan Strait. It is China's second largest island after Taiwan and has an area 32,200 square km, a coastline of 1,470 km and a population of over 5 million. As it lies on the northern fringe of the tropical zone, enjoys warm weather all year round, has abundant rainfall and rich natural resources, it is usually called the treasure island of our motherland. The land area suitable for agriculture, forestry and animal

husbandry is about 37.77 million mu, with a possibility of opening up an additional 12.64 million mu. Among its agricultural products are paddy rice, sweet potato, sugarcane, also plentiful rubber, coffee, sisal hemp and betel nut. The tropical fruits from Hainan Island are well-known throughout China. Its litchis, pineapples, bananas and mangos are delicious and nutritious. In the waters around Hainan Island a great variety of marine products--over 800 different kinds--such as fish, crabs, shellfish and aquatic plants, offer good prospects for the development of the fishing and aquatic breeding and cultivating industries.

Mineral resources are also very abundant on the island; the Shilu iron ore is famous for its high quality. There are prospects for opening up over 35 kinds of mines, as, for instance, gold, silver, manganese and titanium mines. In recent years, the survey and development of the resources of oil and natural gas on the continental shelf of the Nanhai Sea are rapidly progressing. From 1979 on, the survey in the waters of the Gulf of Tonkin and at Yinggehai have resulted in the discovery of several hundred locations of exploitable petroleum strata. Crude oil production in the Gulf of Tonkin zone of joint Sino-French operations is expected to begin in 1986. In the Yinggehai zone of joint Sino-American operations drillings have reached a field of an annual production of 10 million tons of oil and natural gas. A joint operation will establish a chemical plant on Hainan Island, which will produce 7 million tons of synthetic ammonia. The establishment of 7 petrochemical plants will also be accelerated.

Hainan Island is also an excellent place for tourism; in Yaxian County at the southern end of the island there is the "end of the world" scenic spot, famous in China and abroad. With flora in bloom all the year round, with its enchanting landscape, with its vast ocean scenery, the setting is delightful and makes this indeed an excellent place to open up for a tourist industry to invigorate the people's livelihood.

#### Obstructions by Wind and Waves

The full development of so magnificent a place is made impossible because of its separation from the mainland by the strait in between.

Let us look at the natural conditions of the strait.

The Hainan Strait between the Leizhou Peninsula and Hainan Island is one of China's three large straits (the others being the Bohai Strait and the Taiwan Strait); it is the smallest of the three. The strait runs in a west-east direction and is 80.3 km long. At its narrowest point it is 19.4 km and at its widest point 39.6 km wide, the average being 29.5 km. On both sides along the strait there are promontories and bays. The narrowest spot is between Yujiao on the northern shore and Chengmaijiao on the southern shore.

Geologically, both shores of the strait are volcanic rock. On the northern shore the basalt reaches directly down to the sea; in front of the promontory there is a beach of basalt gravel. The southern shore is a lava plateau with an outer fringe of sandbanks and sandy beaches. Where the promontory juts out there is a steep precipice toward the sea. Where the Nandu River empties into the strait there is a fan-shaped delta.

Because the strait connects in the east with the Nanhai Sea and in the west with the Gulf of Tonkin, the ocean current, squeezed in by the strait, has washed out a deep trough, about 70 km long and 10 km wide at the bottom of the strait. The depth of water in the trough is 80-100 m. A "central hump," running east to west, is left in the middle of the trough (a solitary mound not washed away by the current), rising 30-40 m above the sea bottom. The current in the strait has a speed of about 0.10-0.27 m/second. From November to March force 6-7, at most force 10, north winds prevail. From May to September south winds of small wind force prevail, but this is also the typhoon season, when huge waves, at times over 6 m, can rage.

The strait with its dangerous winds and waves stretches as far as the eye can see. Li Deyu, a prime minister during the Tang Dynasty, who was banished to Hainan, once said in a poem: "Where Hainan is one enters alive the gate of hell." Overcoming this dangerous obstacle of winds and waves is not an easy matter, even in these days of highly advanced science and technology.

#### Moving Rocks and Erecting Pillars

After unifying the six states, Qinshihuangdi went on an inspection tour of his empire. When he came to the Bohai Sea in the east, he gazed into the distance toward a beautiful "island of immortality" and ambitiously decided to build a bridge over the ocean. He finally ordered to "move rocks and erect pillars" and started work on the construction of a bridge with stone pillars as piers. Of course, under the conditions of his time he could not be successful. Is it now possible to erect a large bridge over a vast expanse of water and high waves, or execute some other cross-channel engineering project, and connect Hainan Island with the motherland?

According to data available abroad: schemes for crossing a strait and building a marine structure for railway and highway communications can possibly adopt one of the following methods: a shield tunnel, a sunken-tube tunnel, a half-submerged tunnel, a bridge with fixed piers or a bridge on floating pontoons. Considering the specific conditions of Hainan Island, the schemes that could be given consideration are the shield tunnel and a bridge with fixed piers.

A shield tunnel, envisaged as railway tunnel, could be dug down at a 15 per thousand gradient, down to a depth of 120 m, through the rock at the

bottom of the strait and to a length of about 30 km. Presently there are some tunnels under straits in various parts of the world, for instance, in Japan the Seikan Railway Tunnel between Honshu and Hokkaido at a length of 53.83 km, also the railway tunnel between England and France, now under construction, at a length of 51.8 km. This proves that it is absolutely possible to build tunnels under straits. However, the Hainan Strait is a geological depression with a fault that is of the nature of a pulling force. If there are further changes--even small ones--in the earth's crust, they would be dangerous to a tunnel. This is a problem that would have to be studied and solved. However, a tunnel would avoid difficulties due to the depth of water, high waves and strong winds, and it is therefore a method that is not without its merits.

Another method that deserves consideration is the construction of a bridge unit with fixed piers across the strait. This scheme must solve two serious technical problems: one concerning the superstructure of so exceptionally large bridge and the other concerning the foundation for the piers in deep water and also guarding against collisions. Looking at what bridges over straits have been built in foreign countries, the large-span bridges, already built or being planned, are all suspension bridges. For example:

|      |   |         |
|------|---|---------|
| 1931 | USA George Washington Bridge main span            | 1,068 m |
| 1937 | USA Golden Gate Bridge                            | 1,280 m |
| 1964 | USA Verrazano Bridge                              | 1,298 m |
| 1981 | England Humber Bridge                             | 1,410 m |
|      | Planned Japan Honshu-Shikoku Akashi Strait Bridge | 1,780 m |
|      | Planned Italy Messina Strait Bridge               | 3,300 m |

The Hainan Strait is fairly wide--about 19 km at its narrowest point--however, in several large spans it can be crossed, and the superstructure problem can be solved.

With the development in recent years of oil exploitation from under the sea, great progress has been made in the designing and construction of sea structures. The fixed platforms for off-shore oil well drilling, or simultaneously for drilling for oil resources at the bottom of the sea, of a form and shape that could be used for deep-water bridge pier foundations, can now already be built to a depth of 300 m. For instance:

|         |  |             |
|---------|--|-------------|
| England | North Sea oilfield he-deng [phonetic]<br>steel platform        | depth 149 m |
| USA     | Gulf of Mexico oilfield bo-luo-ke [phonetic]<br>steel platform | depth 300 m |
| Norway  | North Sea oilfield tao-li-si [phonetic]<br>model P.C. platform | depth 139 m |
| USA     | Qu-li-pao [phonetic] 300 P.C. platform                         | depth 300 m |

Some of these platforms can withstand waves up to about 30 m high, winds up to about 60 m/second and currents up to 3-5 m/second. In the Hainan

Strait with a depth of 100 m and with all its other natural conditions, it is quite possible to construct deep-water bridge pier foundations.

According to the geological conditions of the sea bed, several places could be selected in the Hainan Strait for the location of the bridge. The shortest would be to start from the Xuwen railhead on the Leizhou Peninsula, to Yujiao, then across the sea, utilizing several of the elevations of the "central hump" in the middle of the strait and connect with Chengmaijiao on the island, there linking up with the railway and highway circling the island. As the strait is about 19 km wide, 8-9 large spans of a suspension bridge and 7-9 deep-water piers would enable the crossing of the strait.

#### The Strait as a Thoroughfare

When the Japanese, prior to the 1960's, had the idea of linking Honshu and Shikoku by a bridge, people called it a "dream bridge." Now, three bridges will connect Honshu with Shikoku, 2 bridges are in the process of construction and one is being planned. Besides, the Kanmon suspension bridge and tunnel between Honshu and Kyushu have been built, and the completion of the Seikan Tunnel between Honshu and Hokaido is not far off.

The cross-channel engineering project under the English Channel, that had been studied for several decades, is now being executed. The 51 km long tunnel under the sea will link England and France, will open up an underground railway and highway connection between England's three islands with the continent of Europe and will satisfy to the largest extent the transport needs of both sides of the strait.

Italy has had for quite some time the idea of building a bridge from the mainland to the island of Sicily over the Strait of Messina. The plan has had the attention of two or three generations of bridge-building experts, who have submitted various bridge schemes; this project is now also being executed.

In 1977 in my book "Foundations," I put forward the idea of building bridges over the Bohai Strait and the Hainan Strait. Presently Hainan Island is being energetically developed. At the start, a hundred things will have to be taken care of, and the cross-channel engineering structures will not necessarily be placed on the agenda. However, I believe that following the economic upsurge and the increase in national strength, there is bound to come the day when the plan of building a bridge (or tunnel) will become a reality and when the strait will be turned into a thoroughfare.

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TRANSPORTATION

BRIEFS

BEIJING HELIPORT CONSTRUCTION--Beijing, 4 Mar (XINHUA)--Construction of Beijing's first civilian heliport will begin soon at Caochangdi, halfway between the city center and Capital International Airport. The first phase of the project includes a terminal, a runway, an apron, and a navigation tower. It is scheduled for completion by the end of this year. More facilities will be built later. Temporary landing facilities will also be built at tourist centers including the Ming Tombs, the Great Wall, Miyun reservoir, the Qing Imperial Tombs at Zunhua in Hebei Province and the summer resorts of Beidaihe and Chengde. [Text] [Beijing XINHUA in English 1506 GMT 4 Mar 85]

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HONG KONG FINANCE OFFICE DISCUSSES EVOLVING ECONOMY

Hong Kong WEN WEI PO in Chinese 13 Nov 84 p 4

[Article: "Office of Finance Discusses 'Evolving Hong Kong Economy'; Hong Kong's Continuation As International Financial Center, Stronger Real Estate and Investment Predicted; Hopes for Balanced Budget in 1986, No Plans to Expand Tax System on Agenda"]

[Text] Peng Lizhi [1756 0536 3112] of the Office of Finance said that one of the primary responsibilities of the Sino-British Liaison Group will be to consider appropriate measures that the Chinese and British governments can take to maintain Hong Kong's participation in the General Agreement on Tariffs and Trade, the Multi-Fiber Agreement, and other international agreements. Regarding the question of alleviating the Hong Kong government's deficit, he hopes that the budget can be balanced in 1986.

At yesterday's meeting of the Hong Kong Association of Professional Administrators' annual seminar, "Observations on the World Economy," Li Pengzhi of the Office of Finance made the foregoing comments in his speech entitled, "The Evolving Hong Kong Economy."

He said that the Sino-British Joint Agreement [on the Future of Hong Kong] is thorough. The agreement provides conditions for a highly autonomous political framework in Hong Kong to maintain Hong Kong's current prosperity and allow Hong Kong to continue to develop. He believes that Hong Kong will continue to be an ideal place for industrial and commercial investments in the future. He has confidence that Hong Kong can preserve its stature as a regional and international commercial and financial center.

Peng Lizhi continued to say that in the next 10 years there will be great developments in Hong Kong's trade and commercial relationships with mainland China. Following rapid trade developments in the past year between the two, it is estimated that China will become Hong Kong's second largest export market and Hong Kong's role as a transit port for Chinese goods will grow stronger. Utilization of Hong Kong, which has advanced transportation and telecommunications facilities and close ties with foreign countries, will greatly help China's efforts to develop foreign trade and modernize. Conversely, China's increased need for Hong Kong's services will promote the

development of those services. At the same time, Hong Kong will provide an ideal environment for foreign businessmen to establish business relations with China.

The Office of Finance made the following predictions about Hong Kong's economic structure in the next 10 years. They believe that investments in real estate, factories and machinery will further increase. Regarding manufacturing, the trend will be towards high quality, relatively high technology goods and finished goods catering to market demands. While the proportion held by the manufacturing trades in Hong Kong's gross production value will further decrease, the proportion held by the service trades will further increase. Nonetheless, the manufacturing sector will provide many employment opportunities and will continue to become a pillar of the Hong Kong economy.

The Office of Finance also said that although there are indications of rising investment confidence since announcement of the initialing of the Sino-British Joint Agreement, we must wait 6 months to see the degree of recovery.

Peng hopes that the budget will be balanced in 1986. Balance is dependent on the overseas environment, however. He stressed that the authorities cannot reduce public expenditures very much to balance the budget. Nevertheless they are considering expanding the scope of revenues to include consumption taxes. He reaffirmed that "for the time being" there are no plans to expand the tax system or change the single tax environment.

He also reiterated the Hong Kong government cannot change its policy of meddling as little as possible in the affairs of private businesses because this policy has proved highly effective for Hong Kong's economy in the past.

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END